

Measuring Income Inequality and Redistribution in Low-Income Countries: Evidence from Nepal*

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Abstract

Inequality statistics in low-income countries typically rely on consumption data, limiting comparability with income inequality measures used in middle- and high-income countries. This is mainly because measuring the distribution of income is challenging in low-income countries due to the prevalence of informality, misreporting, and conceptual issues. This paper combines rich survey microdata, government budget data, and a novel correction method for the underrepresentation of top incomes to construct pretax and posttax inequality statistics in the context of Nepal. After correcting top incomes and accounting for missing capital income, income inequality in Nepal is 80% higher than consumption inequality, shifting Nepal from being more equal than France to almost as unequal as Latin American countries such as Guatemala, Honduras, or Peru. Taxes and transfers have limited impact on inequality due to regressive consumption taxes and poorly targeted social programs. Our income estimates fall close to aggregate output recorded in the national accounts, suggesting that the construction of inequality statistics consistent with macroeconomic growth is feasible even in low-income countries with scarce data. Our methodology only requires a household survey and aggregate tax revenue series by type of tax, making it easily applicable across a wide range of countries.

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1. Introduction

Inequality analyses in low-income countries typically rely on consumption rather than income. Consumption is generally smoother over time, less affected by short-term fluctuations, and more reliably reported in contexts where informal and subsistence activities are widespread. On the other hand, income can be more closely connected to macroeconomic aggregates in the national accounts, to administrative tax data and fiscal incidence analysis, and to standard inequality measures used in high-income countries. Recent evidence suggests that income-based inequality may paint a very different picture, with many developing countries once considered relatively equal now ranking among the most unequal in the world ([Chancel et al., 2023](#); [Chancel and Piketty, 2019](#); [World Bank, 2025](#)). At the same time, evidence on low-income countries remains limited in the absence of detailed national accounts, administrative microdata, and high-quality income surveys. As a result, we lack a proper understanding of how economic growth and tax-and-transfer policies connect to poverty and inequality reduction in the developing world.

This paper makes progress in this direction by proposing an in-depth analysis of income inequality in the context of Nepal. We follow the principles of the Distributional National Accounts (DINA) framework ([Piketty, Saez, and Zucman, 2018](#)), which aims to distribute the totality of national income to individuals. In the absence of administrative microdata and detailed national accounts, which are not available for Nepal, we propose a novel adjustment method for the underrepresentation of top incomes that only relies on making them consistent with aggregate tax revenue. With this minimalist correction, we are able to derive an income aggregate falling close to gross domestic product, making us optimistic about the prospects of income inequality measurement in other low-income contexts with very limited data. Our results point to Nepal as a highly unequal country, with the top 10% receiving over 50% of pretax income. Taxes and transfers have limited effects on the income distribution, mainly due to the large weight of regressive consumption taxes and the poor targeting of social transfers.

Our starting point is the 2022 Nepal Living Standards Survey (NLSS), which has collected detailed information on incomes received by household members from different sources. We add up incomes from all sources to construct a measure of pretax income, which forms the basis of our analysis. The survey allows us to capture most income flows recorded in the national accounts, including wages, business income, home production, imputed rents, and investment income. It also records detailed information on remittances received and sent by households.

A major concern highlighted in the literature is that household surveys may significantly underestimate top income inequality. Accordingly, researchers have typically used tabulated income tax data to better capture the top end of the distribution. The literature has also highlighted the need to allocate components of national income not present in surveys, such as the retained earnings of corporations, which are large in size and disproportionately accrue to top-income earners (Bruil et al., 2022). Unfortunately, neither tax nor national accounts data are available in Nepal, as in most low-income countries. To make progress in solving this data limitation, we propose a minimalist method for correcting top incomes that only relies on aggregate tax revenue by type of tax. Intuitively, the survey can be used to microsimulate a given tax, such as the personal income tax, using information on the tax schedule. The resulting tax revenue predicted by the survey can then be compared to actual tax revenue, yielding a rough measure of the degree to which the survey underreports taxable incomes. We apply this logic to four taxes—on personal income, dividends, interest, and corporate income—to construct a “corrected” pretax income aggregate. The corporate income tax allows us to obtain a lower bound on the retained earnings of corporations, in particular, which we find to be of great importance for accurately measuring top capital income. Our data also allow us to construct simplified measures of the distributional incidence of taxes and transfers, which can be compared to existing estimates of redistribution available in other countries.

Our analysis delivers three main sets of results.

First, we show that with adequate adjustments, aggregate income captured by our exercise falls close to that reported in the national accounts. The ability of surveys to measure income in low-income countries has been doubted on grounds of misreporting and implausibly large gaps with consumption. We find this concern to be addressable in our context, conditional on adequately defining income concepts, correcting for the underrepresentation of top incomes, and accounting for corporate retained earnings. After these three methodological steps, we are able to capture almost 85% of GDP (95% when including remittances). In contrast, reported household expenditure reaches about 70% of GDP. We take this as evidence that a simplified distributional national accounts exercise connecting inequality to macroeconomic growth is feasible in a low-income country like Nepal, even in the complete absence of any tabulated income tax data or disaggregated national accounts. Our methodology only requires a household survey and aggregate tax revenue series, which makes it easily applicable to many other low-income contexts where only these two types of sources are typically available.

Second, we find that consumption-based measures dramatically understate the level of inequality in Nepal

in comparative perspective, for two main reasons. The first reason is that consumption inequality is much lower than income inequality, as is well-known in the literature (e.g., [Chancel et al., 2023](#)). The second reason is that the NLSS massively underestimates top incomes, because it fails to capture the bulk of capital income. Correcting for these two discrepancies increases the top 10% pretax income share from 28% to 52%. In other words, focusing on survey expenditure would imply that Nepal ranks among the least unequal countries in the world, even below countries like France or Denmark. This is indeed the type of comparison one would find in many international datasets, such as the World Bank's Poverty and Inequality Platform, which typically pool consumption and income distribution series depending on which of these is available in a given country. Meanwhile, using a comparable income measure puts Nepal as a highly unequal country, more unequal than the United States and almost as unequal as Latin American countries such as Guatemala, Honduras, or Peru.

Third, we study the roles played by inter-household transfers and government redistribution in shaping Nepalese inequality. We find that remittances significantly reduce inequality, increasing the share of income received by the poorest 50% by 30%. This effect is almost entirely driven by remittances received from abroad, reflecting the particular Nepalese context of mass migration to Gulf countries. Government taxes and transfers also reduce inequality by about the same amount. On net, the tax-and-transfer system redistributes about 3% of GDP to the bottom 50%, which is comparable to the average low-income country (2-3%) and much lower than in high-income countries (7-8%, see [Fisher-Post and Gethin, 2025](#)). This result can be explained by two factors. First, taxes are strongly regressive, mainly because Nepal disproportionately relies on import duties and other consumption taxes. Second, social assistance stands out as being particularly poorly targeted. All in all, minor improvements in the progressivity of Nepal's tax-and-transfer system could likely have large effects on poverty and inequality, even keeping total government expenditure constant.

This paper contributes to the growing literature attempting to bridge the micro-macro gap in poverty and inequality studies. The need to include distributional statistics in the national accounts has been increasingly recognized in the past decade, translating into several attempts by statistical institutes and international institutions (e.g., [Australian Bureau of Statistics, 2019](#); [Congressional Budget Office, 2022](#); [OECD, 2024](#); [Statistics Canada, 2019](#); [Stiglitz, Sen, and Fitoussi, 2009](#)). Following that line of research, [Piketty, Saez, and Zucman \(2018\)](#) construct DINA for the United States, allocating the entirety of national income, taxes, and government expenditure to individuals. A number of studies following a comparable methodology have

been conducted since then (see [Chancel et al., 2022](#)).¹ We contribute to this literature in two ways. First, we show that this type of exercise can also be conducted in contexts with very scarce data, and that a minimalist correction can go a long way in bridging the gap between micro and macro estimates of living standards. Our analysis only requires a household survey and aggregate tax revenue series by type of tax, which are available for the majority of low- and middle-income countries (unlike tax tabulations or disaggregated national income series). Second, we provide the first analysis of this kind for a low-income country. We find that Nepalese inequality is substantially higher than what household consumption suggests. This highlights the crucial importance of using comparable income concepts when making cross-national comparisons of inequality.

Our analysis also relates to the literature on the macro-micro gap in the measurement of economic development. Whether it is household surveys or national accounts that should be used to track poverty and inequality has been the subject of continuous debates among economists (e.g., [Deaton, 2005](#); [Lakner and Milanovic, 2016](#); [Pinkovskiy and Sala-i-Martin, 2016](#); [Sala-i-Martin, 2006](#)). Part of this debate stems from the fact that the discrepancy between survey aggregates and GDP is often large and remains poorly understood. In the context of Nepal, we find that much of this gap can be closed with a minimalist correction for the underreporting of top capital incomes. This suggests that high-quality living standard surveys such as the NLSS can go a long way in accurately measuring income, even in low-income contexts with large agricultural and informal sectors such as Nepal.

Finally, our work also connects to the growing literature on the distributional incidence of taxes and transfers in low- and middle-income countries. The Commitment to Equity (CEQ) Institute, in particular, has spearheaded a number of detailed studies on inequality and redistribution in the developing world ([Lustig, 2018](#)). Our analysis directly builds on this work, with two main differences. First, we make particular effort at correcting top incomes and comparing our estimates to national accounts, while CEQ studies generally focus on survey-based estimates. Second, unlike CEQ studies, we account for capital income indirectly received in the form of retained earnings and allocate all taxes to individuals, including the corporate income tax.

¹A broader literature also mobilizes income tax tabulations or other innovative sources such as house prices to better capture top incomes (e.g., [Blanchet, Flores, and Morgan, 2022](#); [van der Weide, Lakner, and Ianchovichina, 2018](#)). No such data exist for Nepal, as in the majority of low-income countries.

2. Data and Methodology

2.1. Conceptual Framework: Distributional National Accounts

Our methodology follows the Distributional National Accounts framework ([Chancel et al., 2022](#); [Piketty, Saez, and Zucman, 2018](#)). This framework aims to distribute the totality of income aggregates codified in the United Nations' System of National Accounts (UN SNA), which are routinely estimated by statistical institutes and used to estimate and decompose macroeconomic growth. We consider two main income concepts to distribute national income at the individual level. Pretax national income is the sum of all income flows accruing to individuals after the operation of unemployment and pension systems, that is, after payment of social contributions and distribution of pension and unemployment benefits. These income flows comprise all types of incomes recorded in the national accounts, including the retained earnings of corporations. Posttax national income equals pretax income after deduction of all taxes (including indirect taxes and the corporate income tax), payment of all kinds of transfers (including collective government expenditure in health, education, defense etc.), and allocation of the general government deficit of surplus. By definition, individual pretax incomes and posttax incomes all add up to the net national income.

Existing DINA studies typically rely on disaggregated national accounts data to allocate each component of national income to individuals, which ensures that pretax income equals national income. Such data are not available for Nepal. Hence, our analysis in the rest of the paper focuses on combining household survey data with tax revenue series to estimate proxies for these aggregates and get as close as possible to GDP. We also recognize that estimating the distributional incidence of in-kind transfers and collective government expenditure is challenging (see [Gethin, 2026](#) for an attempt in the context of South Africa). For this reason, we consider a benchmark measure of posttax income that only allocates social transfers, education, and healthcare and deducts the taxes that pay for them (as in, e.g., [Fisher-Post and Gethin, 2025](#)). This measure has the advantage of focusing on the transfers that we can confidently allocate while ensuring that pretax income equals posttax income. We report sensitivity analysis to adding these transfers but deducting all taxes, as is typically done in the CEQ framework ([Lustig, 2018](#)).

2.2. Survey Pretax Income

Our starting point is the 2022/2023 National Living Standards Survey. It is a nationally representative household survey collecting detailed modules on household income and expenditure, as well as other information on household living standards.

We start by constructing a measure of pretax income, that is, all market incomes received by households. We use information recorded in the survey to aggregate market income flows from all available sources. Wage income is the sum of wages received by household members employed in both the formal and informal sectors. This includes wages received both in cash and in-kind. Agricultural income includes home production (food and non-food), rental income from renting parts of the household's farm, as well as income from farming and raising livestock. Business income is the sum of net profits across all businesses owned by a given household. Rental income includes income from renting either part of the household's house or any other residential property or asset. Imputed rents are recorded for owner-occupied dwellings and included in pretax income, just as in the national accounts. Finally, the survey collects information on pension income, interest, dividends, and income from other sources such as royalties, commissions, or alimony.

2.3. Correcting Top Incomes

2.3.1. Sources of Missing Top Incomes

A well-documented concern with household surveys is that they tend to underestimate top income inequality. There are two main reasons for this.

First, there is extensive evidence of misreporting and undersampling of top earners in surveys. Well aware of this limitation, a number of studies have used administrative microdata or tabulated income tax returns to capture the top end of the distribution. The general conclusion of this literature is that top incomes are massively underestimated in surveys, with the top 1% being too low by a factor of 1.5 to 3 (e.g., [Blanchet, Chancel, and Gethin, 2022](#); [Blanchet, Flores, and Morgan, 2022](#); [Chancel et al., 2023](#); [Czajka and Gethin, 2025](#)).

Second, a number of income flows are by construction not recorded in surveys. The main missing aggregate is the retained earnings of corporations, which indirectly accrue to the owners of corporations and can

represent a substantial fraction of GDP. Because corporate ownership tends to be concentrated at the top of the distribution, ignoring this missing income usually implies significantly underestimating inequality (Blanchet et al., 2021; Bruil et al., 2022; Piketty, Saez, and Zucman, 2018).

2.3.2. A Minimal Correction

Unfortunately, no data exist for Nepal on either of these two dimensions. However, we do have data on one interesting source of information: total tax revenue by type of tax, together with the corresponding tax schedules. If the survey adequately captured aggregate incomes, we should be able to microsimulate each tax in the microdata and recover total tax revenues that are comparable to those reported in government budgets. If top incomes are underreported, on the other hand, we should expect the survey to underestimate expected tax revenue. The degree of such underestimation provides us with a direct measure of the extent to which surveys underrecord a given income aggregate.

Drawing on this intuition, we propose a minimal correction for top incomes that combines microsimulated tax revenue with actual revenue collected in 2022/2023. We apply this correction method to four taxes.

First, we use the personal income tax to correct for the underrepresentation of top wages. We start with wages as reported in the survey and microsimulate the personal income tax on these wages, using information on the personal income tax schedule. We then compare the resulting simulated tax revenue with actual tax revenue as reported in the government budget. We find that actual wages reported in the survey are about 93% of what they should be to predict actual revenue. This implies that wages above the personal income tax threshold should be increased by a modest 8%.

Second, we apply a similar logic to dividends. Dividends are taxed at a flat rate of 5%. Inverting dividends tax revenue with this number implies that taxable dividends amount to 2.4% of GDP. Dividends reported in the survey are substantially lower, reaching only 0.5% of GDP. We thus multiply reported dividends by a factor of about 5. This correction ends up being close in magnitude to that made in other studies in developing countries, such as Latin America (De Rosa, Flores, and Morgan, 2022) or South Africa Czajka and Gethin (2025), which also find that surveys underestimate investment income recorded in the national accounts by a factor of 5 to 10.

Third, we turn to the interest income tax. Interest income is taxed at a flat rate of 15%, implying that taxable interest reaches about 4% of GDP, compared to 1.2% in the survey. We thus increase interest incomes by a

factor of 3.5 in the survey.

Fourth, we use the corporate income tax to recover an estimate of corporate retained earnings. The corporate income tax rate is typically 25%, which implies retained earnings reaching about 8% of GDP. This figure ends up being very close to that found in other developing countries (e.g., South Africa, see [Czajka and Gethin, 2025](#)), which we take as reassuring evidence in favor of our correction approach. We then allocate corporate retained earnings proportionally to dividends, like much of the literature (e.g., [Czajka and Gethin, 2025](#); [De Rosa, Flores, and Morgan, 2022](#)), which amounts to assuming that dividend income is a good proxy for corporate wealth. We take this as a rough approximation. Given that corporate wealth is generally concentrated at the very top of the distribution, we view this approach as adequate for correcting the top 5% income share, but insufficient for capturing the distribution of income within that group. For these reasons, we are more cautious in interpreting inequality at the very top in the rest of the paper.

In the absence of other information, we only correct these four income aggregates in the survey and leave other income flows unchanged. We stress that this correction should be seen as a conservative lower bound. Indeed, one should expect tax evasion, exemptions, and misreporting to be highly prevalent in a low-income country with weak enforcement like Nepal. This implies that taxed wages, dividends, interest, and corporate earnings are likely to be much lower than the corresponding actual gross income flows. As a result, the underrepresentation of top incomes could be much higher than what our minimal correction suggests.

Two other limitations are important to mention. First, our correction method amounts to assuming that all of the misrepresentation of top incomes can be attributed to misreporting. Missing income flows could also come from nonresponse, such as very wealthy households not being surveyed at all. This could bias our estimates of inequality, especially at the top end of the distribution. In other words, our methodology amounts to loading all of missing income into surveyed top-income households. Accounting for misreporting and nonresponse separately would likely not affect our estimates of the top 10% or top 5% shares, since missing tax revenue is concentrated at the top end of the distribution, but this limitation implies that our estimates of inequality within these groups should be considered as much more uncertain.

Second, our correction method amounts to linearly rescaling each income component to match our targeted aggregates. In practice, as often found in the literature, underreporting could increase with income (e.g., [Blanchet, Flores, and Morgan, 2022](#); [Chancel et al., 2023](#)). This issue will likely not affect our estimates of the top 10% income share, since our correction focuses on adjusting incomes within this group, but it

implies that we might be strongly underestimating inequality within the top 10%. We come back to this issue below.

2.3.3. Main Findings

Figure 1 plots the ratio of the resulting corrected income concept to uncorrected survey pretax income by income group. Accounting for missing top wages, dividends, interest, and retained earnings increases the average income by about 30%. This increase is concentrated at the top end of the distribution: the correction falls below 20% for the bottom 90%, while it reaches almost 60% for the top 1%. The magnitude of this correction is relatively similar to that found in other contexts. For instance, [Chancel et al. \(2023\)](#) document that available studies using tax data typically generate an upward correction in the top 1% average income of about 40% to 90%. If anything, our correction appears to be quite conservative in comparison to existing studies, since the ratio plotted in Figure 1 includes retained earnings while the papers reviewed by [Chancel et al. \(2023\)](#) do not. We take this as further evidence that our correction is likely yielding a lower bound on the true economic income of top earners.

How do uncorrected and corrected income aggregates compare to output as recorded in the national accounts? To remind the reader, GDP includes all income flows that should be technically recorded in the survey, including compensation of employees, mixed income, imputed rents, and property income. The sum of these components typically amounts to 80-90% of GDP in most countries. The remaining components include the retained earnings of corporations (typically 5-15% of GDP), as well as other minor aggregates that together usually make up around 5% of GDP (such as income indirectly received through private pension and insurance funds). By construction, these components are absent from the survey since they are received by households only indirectly through corporate ownership and other channels.

Unfortunately, like most low-income countries, Nepal lacks detailed national accounts data that would allow to observe the size of each of these components. However, we can still compare our consumption and income measures to aggregate GDP, which provides a rough measure of the degree to which we underestimate national accounts income flows.

We investigate this in Figure 2 by plotting the ratio of survey aggregates to factor-price gross domestic product, that is, GDP measured at factor costs excluding taxes minus subsidies on products. Household survey expenditure reaches about 70% of GDP, while uncorrected survey pretax income reaches 65%. The

fact that pretax income is lower than consumption is unsurprising in the Nepalese context, given the major role played by international remittances in boosting domestic living standards. Once remittances are added to individual incomes, we reach 80% of GDP. Finally, the last two bars in the figure show that correcting for missing top incomes increases the pretax income aggregate to almost 85% excluding remittances and 95% including remittances.²

Together, these findings tell us two facts about the quality of the NLSS and the usefulness of our correction. First, the idea that surveys cannot adequately measure incomes in low-income contexts such as Nepal is unwarranted. Even before accounting for missing top incomes, we are able to construct an income aggregate that is meaningfully higher than household expenditure, which is what one would expect in the presence of positive aggregate household savings, and covers a significant fraction of GDP. Second, correcting for the underrepresentation of top incomes goes a long way in bridging the remaining gap with national accounts. This suggests that the construction of simplified poverty and inequality measures consistent with macroeconomic growth is feasible in a low-income country with scarce data such as Nepal, conditional on carefully defining income concepts, adjusting incomes at the top, and accounting for missing national accounts components such as the retained earnings of the corporations.

2.4. From Pretax Income to Post-Remittance Income

We now turn to the estimation of the interpersonal and government redistribution. To move from pretax to post-remittance income, we add all remittances received from all sources and remove all remittances sent from individual incomes. Aggregate remittances received are much larger than aggregate remittances sent. This is consistent with mass migration from Nepal to Gulf countries generating large remittance flows from abroad.

2.5. Taxes

To move from pretax to posttax income, we start by estimating the distributional incidence of taxes.

Personal Income Tax (1.2% GDP) We microsimulate the personal income tax using the income tax schedule. We do this separately for wage earners and the self-employed, given that tax revenue data

²Let us note that remittances are not part of GDP, so the relevant number in terms of national accounts coverage is pretax income excluding remittances.

allow us to separate tax revenue for these two groups. We then allocate total personal income tax revenue proportionally to the estimated tax burden. This ensures that total taxes paid in our microfile matches exactly personal income tax revenue as reported in official budget data.

Corporate Income Tax (2.1% GDP) The corporate income tax is indirectly paid by the owners of corporations. We thus distribute corporate income tax revenue proportionally to dividends received, in line with much to the literature.

Other Income Taxes (1.1% GDP) We distribute other income taxes proportionally to proxies for their tax bases: dividends and capital gains taxes proportionally to dividends, the interest income tax proportionally to interest income, and the rental income tax proportionally to rental income.

Consumption Taxes (11.3% GDP) Consumption taxes represent the bulk of Nepalese tax revenue. These include the value-added tax (2.2% GDP), excise taxes (2.1% GDP), import duties (6.4% GDP), and road taxes (0.6% GDP). We allocate these taxes proportionally to the corresponding taxable consumption, following the literature.

An important consideration here is that a large fraction of consumption is made in informal stores in low- and middle-income countries ([Bachas, Gadenne, and Jensen, 2022](#)). These informal stores typically evade VAT and other taxes, implying that the passthrough from taxes to prices is almost zero for customers of these stores. Drawing on survey data from a number of countries, [Bachas, Gadenne, and Jensen \(2022\)](#) demonstrate that informal consumption is disproportionately concentrated among low-income households, which implies that consumption taxes are less regressive than previously thought. Unfortunately, no data on expenditure at informal stores is available for Nepal. We thus use a stylized profile on the relationship between deciles of consumption and the informal share of consumption, based on the typical pattern found in low-income countries in the [Bachas, Gadenne, and Jensen \(2022\)](#) database. We then create a measure of “taxable consumption” accordingly, which forms the basis of our distributional incidence analysis.³

We distribute VAT revenue proportionally to taxable consumption, excluding goods and services that are VAT-exempt as recorded in the 1996 tax code. This includes a large number of food items, such as all grains,

³Appendix Figure [A7](#) reports the corresponding estimated share of consumption that is “taxable” (made in the formal sector) by pretax income decile. Taxable consumption is about 50% higher for the top 1% than for the bottom 10%, implying a 50% higher relative tax gap between these two groups than an analysis focusing on total consumption would suggest.

fresh vegetables and fruits, and fresh meat and fish, as well as a number of services. We manually code each of these VAT-exempt items in the survey, so as to get a measure of “taxable VAT-paying” consumption. We distribute alcohol, beer, and tobacco excise taxes proportionally to taxable consumption of these three goods. Other excise taxes are distributed proportionally to overall taxable consumption in the absence of more granular data on the tax revenue side. Similarly, we distribute import duties proportionally to overall taxable consumption. In the absence of sufficiently high-quality data, accounting for the import-intensity of expenditure when estimating the distributional incidence of tariffs is left for future research. Finally, we distribute the roads tax proportionally to fuel expenditure.

2.6. Transfers

Social Assistance Social assistance in Nepal includes both cash and in-kind transfers. The main cash transfers are the senior citizen allowance, a grant distributed to elderly citizens, the single woman allowance, and the disability allowance. Cash transfers received by households are directly recorded in the NLSS. In-kind transfers include a number of programs such as the Midday Meal Program for children attending community schools, nutritional supplement programs, and agricultural subsidies.⁴ The survey asks households whether they benefit from these programs, but does not report information on the value of each transfer. We thus turn to official data on total government expenditure on each policy and allocate the corresponding amounts to households in the microdata.

Education We distribute education spending to children attending public schools. The survey records information on school attendance of each member of the household, together with the type of school. We assume that each child currently attending a public school benefits from a transfer equal to per-pupil national education expenditure.

Healthcare We distribute health expenditure proportionally to intensity of use of the public healthcare system. The NLSS records information on healthcare use in two separate modules. The first one provides information on whether a given household member suffers from a non-communicable disease, whether this member has consulted a healthcare provider for this disease, and the type of provider. The second

⁴We do not distribute government expenditure on active labor market programs, such as the Prime Minister’s Employment program. Indeed, labor earnings from these programs are recorded as wages and thus already included in pretax income.

one records information on communicable diseases, whether the household consulted in the past 30 days for this disease, and the type of provider consulted. Based on this, we create a dummy variable for each household member equal to one if the member has consulted a public healthcare provider for either type of disease and zero otherwise. We then distribute health expenditure to all individuals having been in contact with the public healthcare system.

2.7. Posttax Income

Posttax income is equal to post-remittance income, minus government taxes, plus government transfers. An important concern here is that we have distributed all taxes to individuals, but we have only allocated a fraction of transfers in the absence of information on the distributional incidence of roads, police services, and other public goods. As a result, a redistribution measure removing all taxes but adding only these transfers would be highly *imbalanced*: average posttax income would end up being much lower than average pretax income.

In our benchmark specification, we propose to construct a conceptually consistent measure of posttax income by only removing the fraction of taxes that finances the transfers allocated by the researcher. Formally, we proportionally reduce taxes paid by all households until reaching a total tax aggregate that matches total spending on social assistance, education, and healthcare. This ensures that pretax income equals posttax income. The underlying interpretation is that our analysis focuses on a subset of the government's intervention, that which finances these three main types of transfers. In reducing all taxes proportionally, we implicitly assume that all taxes contribute to financing these transfers in proportion to their share in total general government tax revenue. We investigate the robustness of our results to a specification that deducts all taxes and only adds back social assistance, education, and healthcare, as in the CEQ framework.

3. Income Inequality in Nepal

3.1. The Distribution of Pretax Income

Pretax Income Inequality in Nepal. We start by studying the distribution of pretax income, that is, market income from all factors of production, excluding remittances, taxes, and government transfers. Table 1 provides information on the income thresholds, average incomes, and shares of income received

for different pretax income groups. Average annual income per capita is about 140,000 Nepalese rupees, corresponding to 4,200 dollars at purchasing power parity. For the bottom 50%, it falls below 1,000 dollars per year, compared to 3,600 for the middle 40% (p50p90), 22,900 for the top 10%, and almost 100,000 for the top 1%. The share of pretax income received by the bottom 50% is about 11%, which is more than two times lower than the share of income received by the top 1%. The top 0.1%, consisting of about 30,000 individuals, receive 7% of national income.

The Composition of Pretax Income. Figure 3 sheds more light on the structure of pretax income inequality by plotting the composition of income by pretax income group. A “three-tier” pattern is clearly visible. At the very bottom of the distribution, low-income households mostly rely on agricultural income, wages, and imputed rents. At the middle of the income distribution, wages have a more important role, accounting for about half of pretax income. At the top end of the distribution, finally, business income and pure capital income (dividends, interest, rental income, and corporate undistributed profits) dominate.

This finding is consistent with existing evidence on the structure of pretax inequality previously documented in high- and middle-income countries. Strikingly, the share of income coming from capital is about 50% for the top 1%, which is almost identical to what previous high-quality studies have found for countries such as the United States (Piketty, Saez, and Zucman, 2018) and South Africa (Czajka and Gethin, 2025). This brings us confidence that our correction method, despite its simplicity, does a good job at generating results that are meaningful in comparison to the existing literature. Absent this correction, one would find that capital income only accounts for about 10% of pretax income for the top 1%, which is clearly unrealistic but unsurprising given massive underreporting of interest and dividends in the survey.

Sensitivity to Alternative Specifications. We investigate the sensitivity of our pretax income inequality estimates to three alternative methodological assumptions.

First, we consider alternative assumptions regarding the concentration of retained earnings. In our benchmark specification, we allocate them proportionally to dividends. As an alternative, we consider distributing them using high-quality estimates of retained earnings received by pretax income group available for the United States (Piketty, Saez, and Zucman, 2018) and Brazil (Palomo et al., 2025). The resulting bottom 50% share is 11-13%, the top 10% share 49-53%, and the top 1% share 18-21%.

Second, we consider the possibility that underreporting of wage income might be greater at the top end of

the distribution. We draw on estimates from [Chancel et al. \(2023\)](#), who document that the ratio of wages reported in tax data to wages reported in survey data rises from about 1 at P90 to 1.25 at P95 and 1.75 at P99 in Côte d'Ivoire. With this nonlinear profile, we obtain a bottom 50% share of 10%, a top 10% share of 56%, and a top 1% share of 24%.

Third, we consider the possibility that incomes might also be underreported at the bottom of the distribution. In our survey, less than 1% of households have exactly zero reported pretax income, which is actually quite low in comparison to what has been observed in other contexts such as Latin America and Europe ([Blanchet, Chancel, and Gethin, 2022](#); [De Rosa, Flores, and Morgan, 2022](#)). We consider a very conservative specification in which we replace pretax incomes lower than 20% of median income (9% of the sample) by household final consumption expenditure. We obtain a bottom 50% share of 13%, a top 10% share of 52%, and a top 1% share of 21%.

Hence, our main results are not too sensitive to alternative assumptions on the distribution of different income components. The bottom 50% share remains in the range of 10-13%, the top 10% in the range of 49-56%, and the top 1% share in the range of 18-24%. Our benchmark estimates in Table 1 fall at the middle of these alternative specifications.

3.2. The Distribution of Remittances

We now turn to the role played by remittances in shaping income inequality. Remittances are extremely large in Nepal, due to international migration to Gulf countries and other regions of the world. According to the NLSS, as much as 15.7% of GDP was received by households from other individuals living outside of the household. On the other side, meanwhile, Nepalese households declared sending about 3% of GDP to other households in the NLSS. This implies an enormous net remittance flow of about 12.7% of GDP in 2022.

Figure 4 plots the distribution of remittances received, remittances sent, and net remittance transfers made by pretax income group. Interpersonal redistribution appears to be strongly progressive. On the sending side, remittances sent ranged from about 0.1% of GDP for the bottom 10% to 0.3% for the top 10%. On the receiving side, remittances received by the bottom 10% exceeded 2.5% of GDP, compared to less than 1% among the top 10%. All in all, net remittance flows decline strongly alongside the income distribution, from 2.5% of GDP among the first decile to about 0% among the top 1%.

It is interesting to notice that despite this strongly progressive profile, it would be incorrect to say that the

income of the poorest Nepalese households disproportionately consists in remittances. Indeed, because remittances are so large, they generate substantial reranking in the data, allowing a number of households to move from the bottom to the middle of the post-remittance income distribution. As a result, the share of post-remittance income received from remittances ends up varying little alongside the distribution, ranging from about 15% to 20% for most post-remittance income groups.⁵ This finding suggests that after accounting for interpersonal redistribution, the poorest Nepalese precisely end up being those that do not receive sufficiently high transfers for them to escape poverty.

3.3. The Distributional Incidence of Taxes and Transfers

We now study the distribution of government taxes and transfers.

3.3.1. Taxes

Figure 5 plots the composition of taxes paid as a fraction of income by post-remittance income group. The Nepalese tax system stands out as being unambiguously regressive. The poorest 50% pay between 20% and 35% of their pretax income (including remittances) in taxes, compared to 15% for the top 1%. In other words, taxes strongly increase inequality.

This regressive pattern directly results from the disproportionate reliance of the Nepalese tax-and-transfer system on consumption taxes. As discussed above, the bulk of government revenue comes from import duties, VAT, and excise taxes, while the progressive personal income tax has a very small tax base. The effective tax rate thus appears particularly large for low-income households mainly because their expenditure significantly exceeds their income. Importantly, we do account for consumption made in the informal sector, which substantially reduces regressivity. Consumption taxes remain regressive even after this adjustment nonetheless, simply because negative savings at the bottom of the distribution strongly quantitatively dominate the mild progressivity introduced by informality. This finding puts into question the conclusions of [Bachas, Gadenne, and Jensen \(2022\)](#), who claim that consumption taxes are likely to be progressive overall in low-income countries because of informality. From a comparative perspective, our results place Nepal among the countries with the most regressive tax systems in the world, on par with patterns observed in Latin America and Eastern Europe ([De Rosa, Flores, and Morgan, 2022](#); [Fisher-Post and Gethin, 2025](#)).

⁵See Appendix Figure A3.

3.3.2. Transfers

Figure 6 extends this analysis to government transfers, expressing total transfers received as a share of GDP. Transfers appear significantly progressive, both in relative terms (the value of transfers as a share of pretax income decreasing with income) and in absolute terms (the absolute value of transfers being higher for low-income households). Education stands out as the most progressive form of transfer: amounts received by the bottom 10% are almost three times higher than those received by the top 10%. This result can be explained by the combination of two forces. First, poorer households have a larger number of children, which increases the progressivity of education through a demographic channel. Second, high-income households rely disproportionately on private schools.⁶ Together, these two channels imply that the effective subsidy received by low-income households is substantially larger than that received at the top of the distribution. We find no such absolute progressivity for either healthcare or social assistance, whose distribution is essentially flat across the income distribution. Indeed, the use of the healthcare system appears to slightly increase with income, but a greater fraction of high-income earners rely on private healthcare. These two forces more or less compensate each other, so that about 10% of individuals have had recent contact with the public healthcare system in each pretax income decile.⁷ Similarly, cash transfers are very poorly targeted. Eligibility for the senior citizen allowance is mostly based on age, which results in low-income households receiving only marginally higher transfers. Other cash transfers are very small and vary little with income.

3.3.3. Overall Redistribution

Combining taxes, and transfers, we can finally provide the first analysis of the overall role played by government redistribution in reducing Nepalese inequality. As discussed above, we construct a measure of posttax income that is *balanced* by only deducting the fraction of taxes that pay for social assistance, education, and healthcare. This ensures that pretax income equals posttax income and that the share of national income redistributed between pretax income groups sums up to exactly zero.

Figure 7 plot the results of this exercise, decomposing the net share of GDP received or paid by pretax income group in the form of taxes and transfers.⁸ The tax-and-transfer system essentially ends up redistributing income from the top 10% to the bottom 70%. The net payment made by the top 10% is about 3.3% of GDP

⁶See Appendix Figure A5.

⁷See Appendix Figure A6.

⁸Appendix A9 reproduces this figure using an imbalanced posttax income measure that deducts all taxes.

most of which is redistributed to the bottom 50%. The net share of national income received is highest at the very bottom of the distribution and lowest among the top 1%.

We conclude this section by studying the overall incidence of interpersonal and government redistribution on income inequality. Figure 8 plots the share of income received by selected groups in terms of pretax income, post-remittance income, and posttax income. Interpersonal redistribution is found to reduce inequality by about the same amount as government taxes and transfers. The bottom 50% income share is about 10% in terms of pretax income, 12.5% in terms of post-remittance income, and 15% in terms of posttax income. The overall reduction in inequality is substantial, implying a 50% increase in the share of income received by the poorest half of the population and a reduction in the top 10% share of about 20%. Posttax inequality remains very high nonetheless: even after accounting for interpersonal and government redistribution, the top 1% end up receiving a higher fraction of GDP than the bottom 50%.

3.4. Nepal in Comparative Perspective

We conclude this paper by putting Nepalese inequality in comparative perspective. Standard international datasets, such as the World Bank's Poverty and Inequality Platform or the World Income Inequality Database, generally pool income and consumption series together depending on which data are available in a given country. This makes it hard to compare low-income countries, where surveys disproportionately rely on consumption, to middle- and high-income regions such as Latin America or Europe, where surveys are primarily focused on income. While recent efforts have been made to make these statistics more comparable (e.g., [Chancel et al., 2023](#) in the case of Africa), still little is known on the magnitude of these discrepancies and implications for cross-country differences in inequality. In this paper, we have carefully constructed measures of pretax and posttax income in the case of Nepal, which we can compare to both consumption inequality in Nepal (based on the expenditure aggregate provided by the survey designers) and pretax income inequality in other countries with high-quality data.

Figure 9 presents the results of this comparison. The first bar plots the top 10% share as measured by the consumption aggregate in the NLSS, the second bar plots the top 10% share of survey post-remittance income, and the third bar plots our final series on the top 10% post-remittance income share after correcting for the underrepresentation of top incomes. The next bars compare our estimates of the top 10% pretax share to that found in other countries, focusing on a selection of countries where detailed high-quality

studies on pretax income inequality have been conducted: France ([Garbinti, Goupille-Lebret, and Piketty, 2018](#)), China ([Piketty, Yang, and Zucman, 2019](#)), the United States ([Piketty, Saez, and Zucman, 2018](#)), Brazil ([Morgan, 2017](#)), and South Africa ([Czajka and Gethin, 2025](#)).

Moving from consumption to income and accounting for the misreporting of top incomes makes an enormous difference when it comes to ranking Nepalese inequality in international perspective. If one was to focus on consumption, one would conclude that Nepal is an extremely equal country, even more equal than France, with the top 10% share reaching a mere 28%. Moving from consumption to post-remittance income substantially increases inequality, with the top 10% now reaching 46%. Finally, correcting top incomes further increases it to 52%, placing Nepal at a level of inequality in-between the United States and Brazil, and at about the same level as other small Latin American countries such as Guatemala or Panama ([De Rosa, Flores, and Morgan, 2022](#)). Appendix Figure A2 extends this analysis to the bottom 50%, with similar conclusions. The bottom 50% share of consumption is 26%; the bottom 50% share of corrected post-remittance income is 12%, compared to 13% in the United States and 9% in Brazil.

Interestingly, this large gap between consumption and corrected income appears to be quite similar in magnitude to that found in [Chancel et al. \(2023\)](#), which to the best of our knowledge is the only study systematically investigating this issue. Drawing on available evidence from a selection of countries, the authors find that moving from consumption inequality to income inequality and adjusting for top incomes likely implies an average increase in the top 10% share of about 50-70% (see their Figure 7). Our findings suggest that the required correction is even larger in our context, increasing the top 10% share by 80%. The main reason for this even larger correction is that we account for the distribution of the retained earnings of corporations, which strongly increases inequality, while [Chancel et al. \(2023\)](#) are focused on the distribution of reported taxable income.

Finally, we position the distributional incidence of taxes and transfers in Nepal in international perspective. For this, we rely on the database recently constructed by [Fisher-Post and Gethin \(2025\)](#) and [Gethin \(2024\)](#), who combine a number of sources to derive simplified measures of redistribution covering over 150 countries. To make the figures comparable, we define redistribution in the [Fisher-Post and Gethin \(2025\)](#) exactly as in this paper, adding all government expenditure on social assistance, education, and healthcare to individual incomes, but deducting only the fraction of taxes that finance these transfers. Figure 10 plots the resulting share of net national income redistributed to the bottom 50% over the course of development. Our series for Nepal are highlighted in red. As shown in the figure, the Nepalese tax-and-transfer system redistributes

about 3% of national income to the poorest 50%, which ranks it among the least progressive in the world. It ranks not too unfavorably within the set of countries at comparable levels of development, however, with redistribution appearing to be significantly higher than in Ethiopia, Pakistan, Bangladesh, and Nigeria (but lower than in India).⁹

4. Conclusion

In this paper, we combined a rich household survey with government budget data to estimate the distribution of income in Nepal. We found that minimal corrections to the data can deliver poverty and inequality estimates that are more consistent with macroeconomic growth and more comparable with those available in middle- and high-income countries. Nepal stands out as a highly unequal country, more unequal than the United States and almost as unequal as Latin American countries such as Guatemala, Honduras, or Peru. Remittances and government redistribution reduce income inequality by about the same magnitude, highlighting the key role played by interpersonal redistribution in the Nepalese context. Government taxes are strongly regressive due to the large size of indirect taxes. Transfers are progressive but poorly targeted, limiting the role of redistribution in reducing inequality.

Our results have four sets of policy implications.

First, our analysis calls for rethinking inequality metrics in low-income countries. Despite significant challenges, constructing income inequality measures consistent with macroeconomic growth appears to be feasible even in low-income contexts with scarce data. The development of detailed Distributional National Accounts could significantly improve our understanding of the dynamics of inequality, the long-run distribution of macroeconomic growth, and the role played by taxes and transfers in shaping poverty and inequality in the developing world. We hope that the methodology and insights developed in this paper will motivate more work in this direction.

Second, our results call for significant reforms in Nepal's tax system. The distributional incidence of taxes stands out as one of the most regressive in the world, due to the disproportionately large reliance of the government on indirect taxes and import duties. Priority should be given to substantially expanding coverage

⁹The [Fisher-Post and Gethin \(2025\)](#) database does provide estimates of redistribution in Nepal, combining data on tax revenue and government expenditure from a number of sources and making simplifying assumptions on the distributional incidence of each type of tax and transfer. Interestingly, they find a net transfer to the bottom 50% of about 3.3% of national income, very close to our own estimate.

and revenue from personal income and corporate taxes, which would allow Nepal to build state capacity while ensuring fiscal equity.

Third, there is also a need to improve Nepal's social assistance programs. Many policies are poorly targeted, such as the senior citizen allowance, the single woman allowance, or agriculture subsidies. A large fraction of these transfers accrue to middle- and high-income households whose needs are disproportionately lower than that of the very poor. Improving the progressivity of these transfers, even while keeping the budget constant, could have large impacts on poverty and inequality.

Fourth, our analysis unveiled the major role played by interpersonal transfers in reducing both poverty and inequality. Remittances reduce inequality by almost the same magnitude as the entire tax-and-transfer system. This calls for policies encouraging and facilitating transfers between households, such as policies reducing the cost of remittance flows through formal channels.

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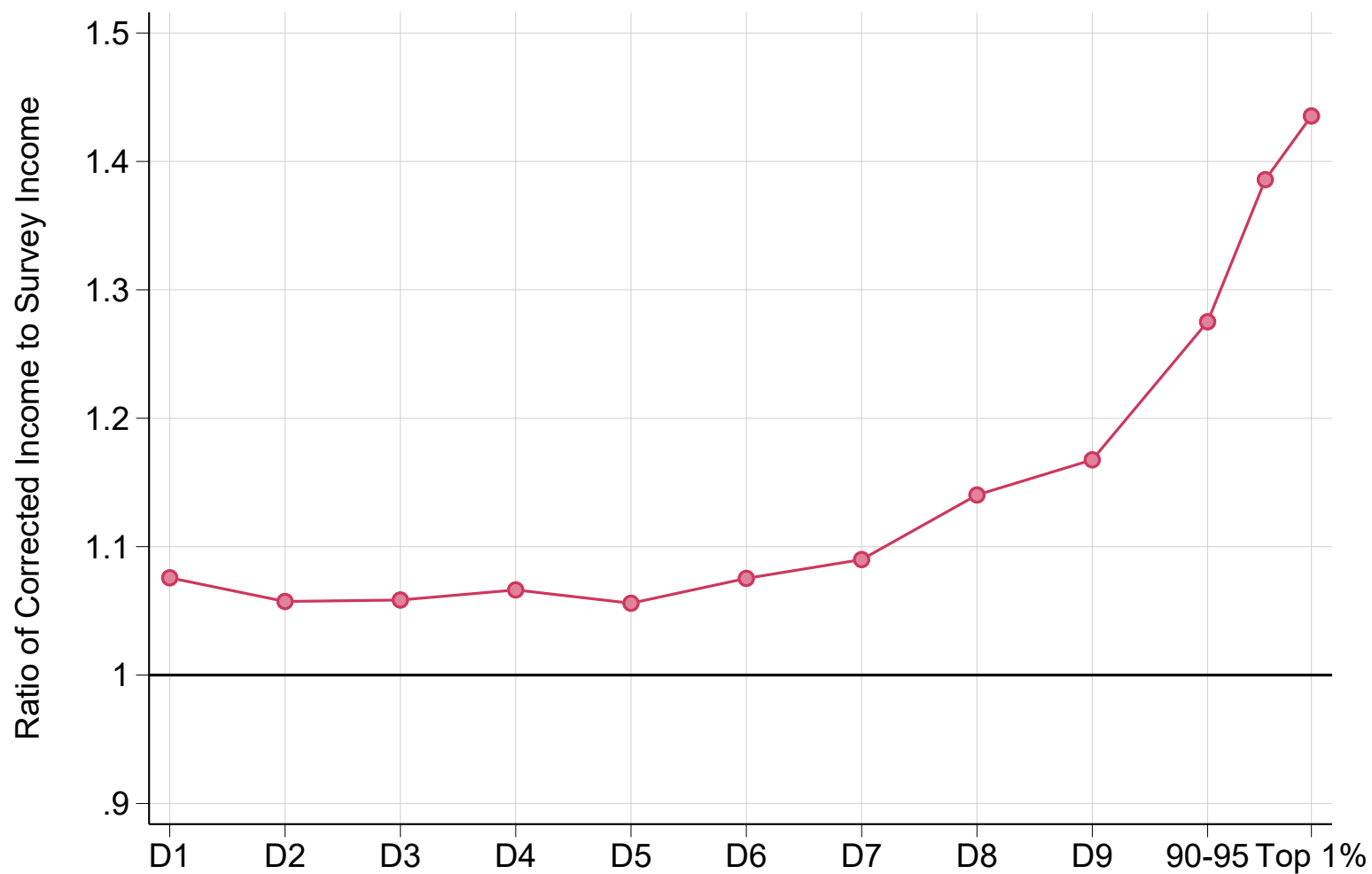
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Table 1 – The Distribution of Pretax Income in Nepal

	Number of individuals	Income threshold (Rupees)	Average income (Rupees)	Income threshold (PPP USD)	Average income (PPP USD)	Income share
Full population	29,720,000	0	137,000	0	4,000	100%
Bottom 50% (p0p50)	14,860,000	0	30,200	0	900	11.1%
Bottom 20% (p0p20)	5,944,000	0	13,300	0	400	1.9%
Next 30% (p20p50)	8,916,000	35,400	41,500	1,000	1,200	9.1%
Middle 40% (p50p90)	11,888,000	59,800	120,000	1,800	3,500	35.0%
Top 10% (p90p100)	2,972,000	258,000	736,000	7,600	21,700	53.9%
Top 1% (p99p100)	297,200	1,280,000	2,970,000	37,600	87,700	21.8%
Top 0.1% (p99.9p100)	29,720	6,010,000	9,500,000	177,000	280,000	7.0%

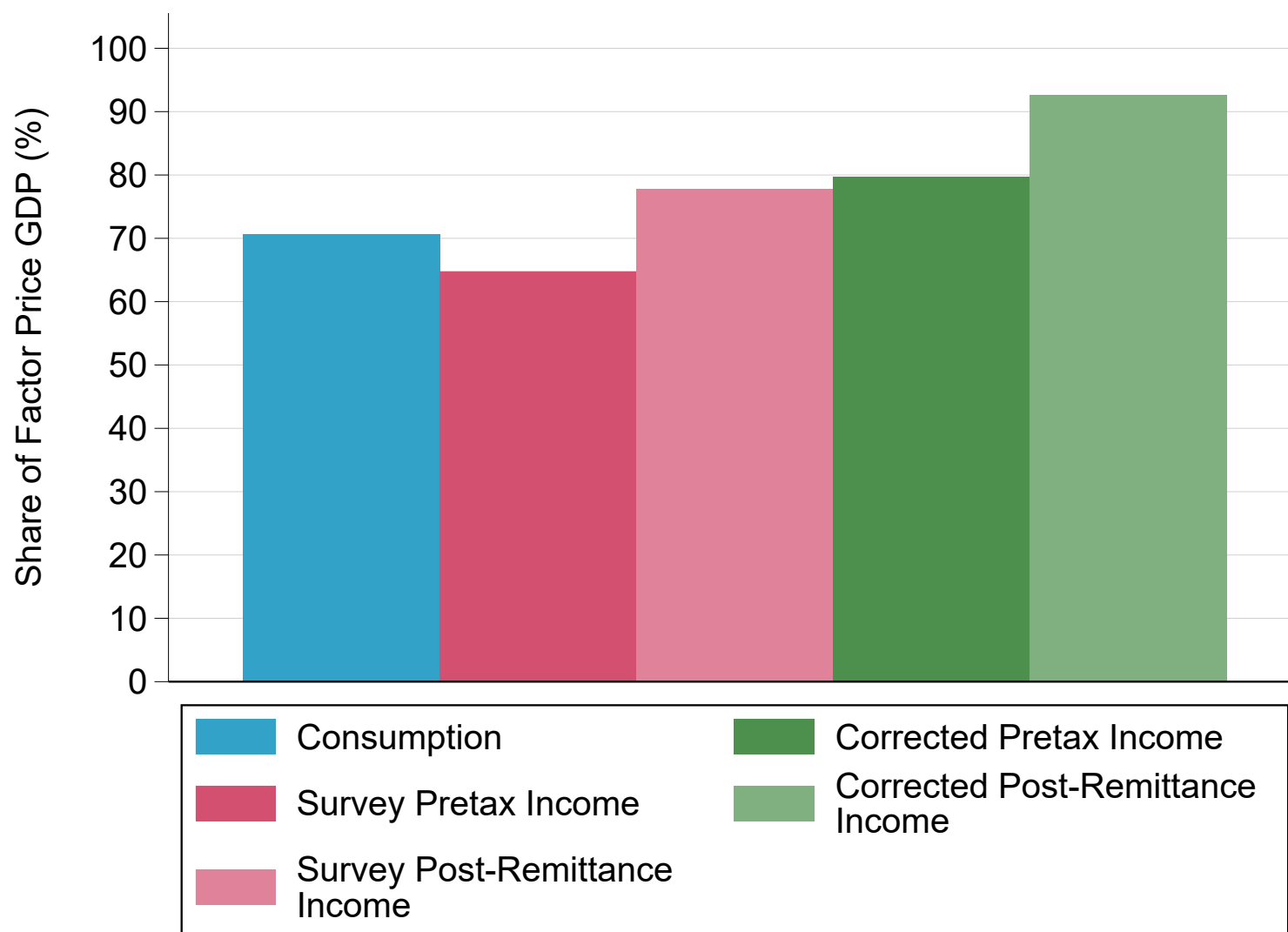
Notes. The table reports statistics on the distribution of pretax income in Nepal, including the number of individuals in each income group, income thresholds and average incomes of each group, and their respective income shares. Rupees: thresholds and average incomes expressed in 2023 current rupees. PPP USD: thresholds and averages incomes expressed in 2023 PPP US dollars.

Figure 1 – Accounting for Missing Top Incomes: Ratio of Corrected to Survey Income by Income Group



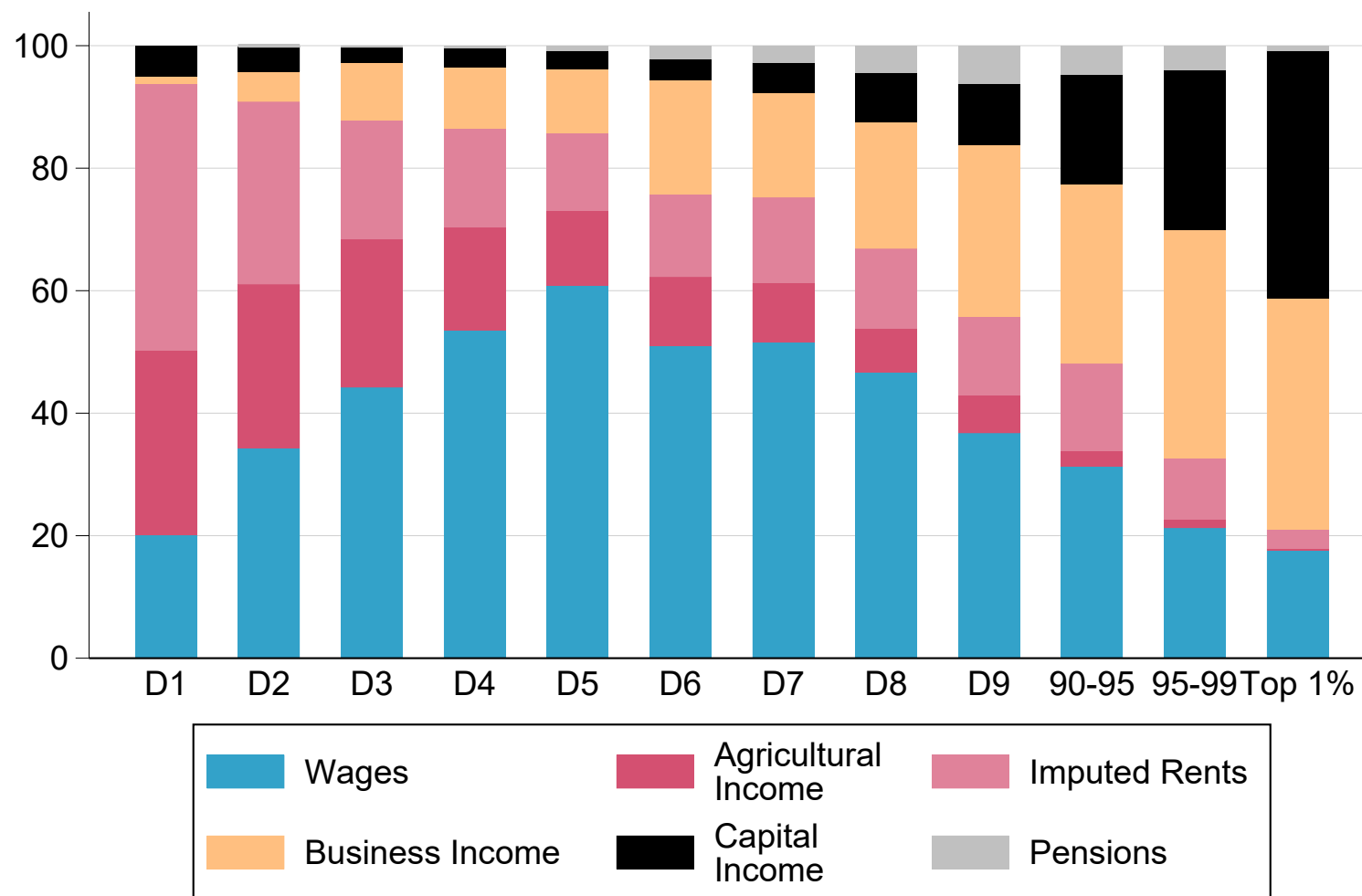
Notes. The figure plots the ratio of corrected income to raw survey income by income group. Accounting for the underrepresentation of top incomes and missing capital income significantly increases the average income of the top 10% and especially the top 1%.

Figure 2 – From Surveys to National Accounts: Ratio of Microdata Aggregates to Factor-Price GDP



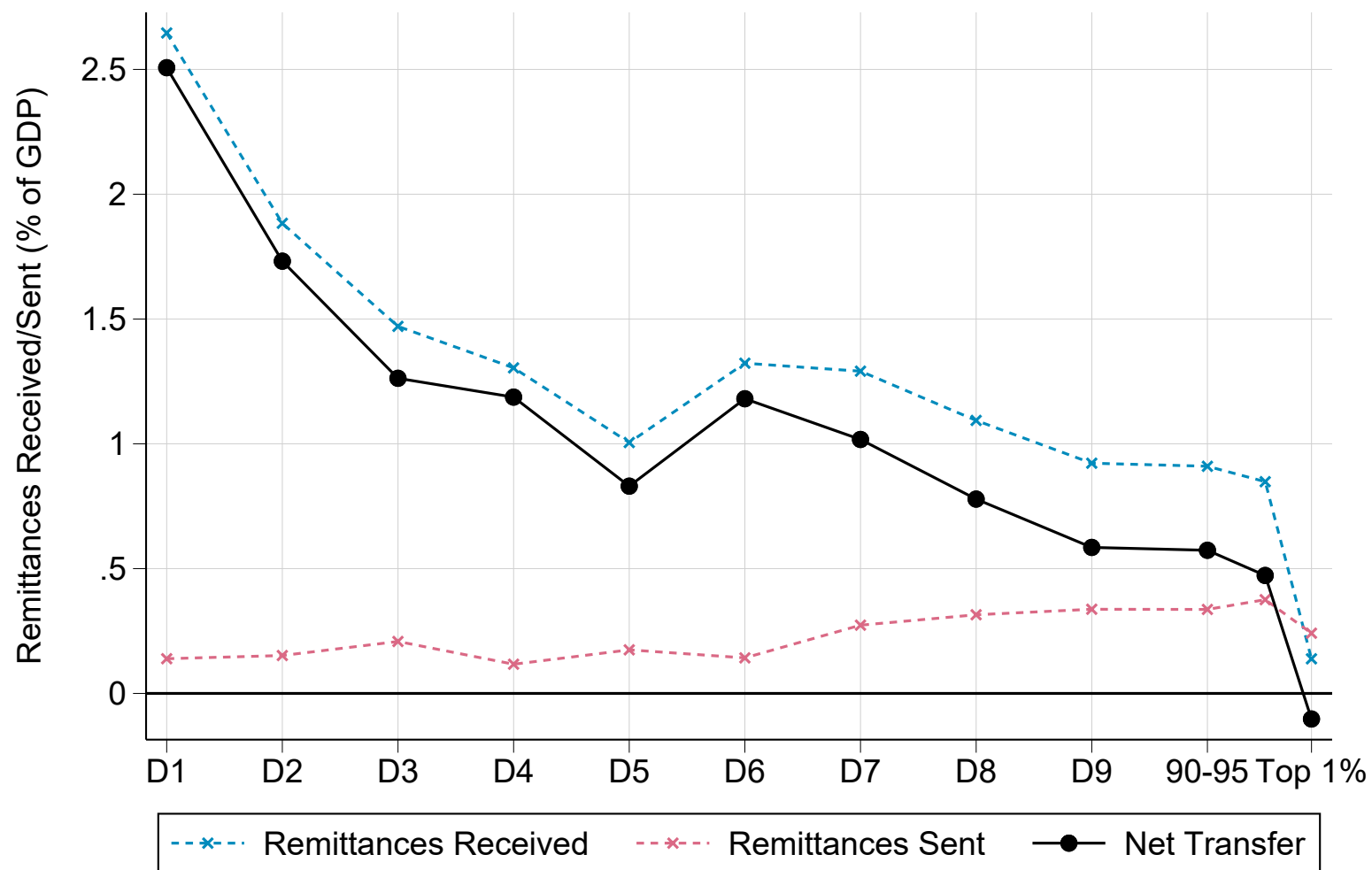
Notes. The figure plots the ratio of total consumption/income to factor-price GDP. Consumption: household final consumption expenditure as recorded in the NLSS survey. Survey pretax/post-remittance income: pretax/post-remittance income as recorded in the NLSS survey. Corrected pretax/post-remittance income: pretax/post-remittance income aggregate obtained after correcting the survey for the underrepresentation of top incomes and missing capital income.

Figure 3 – The Composition of Income by Pretax Income Group



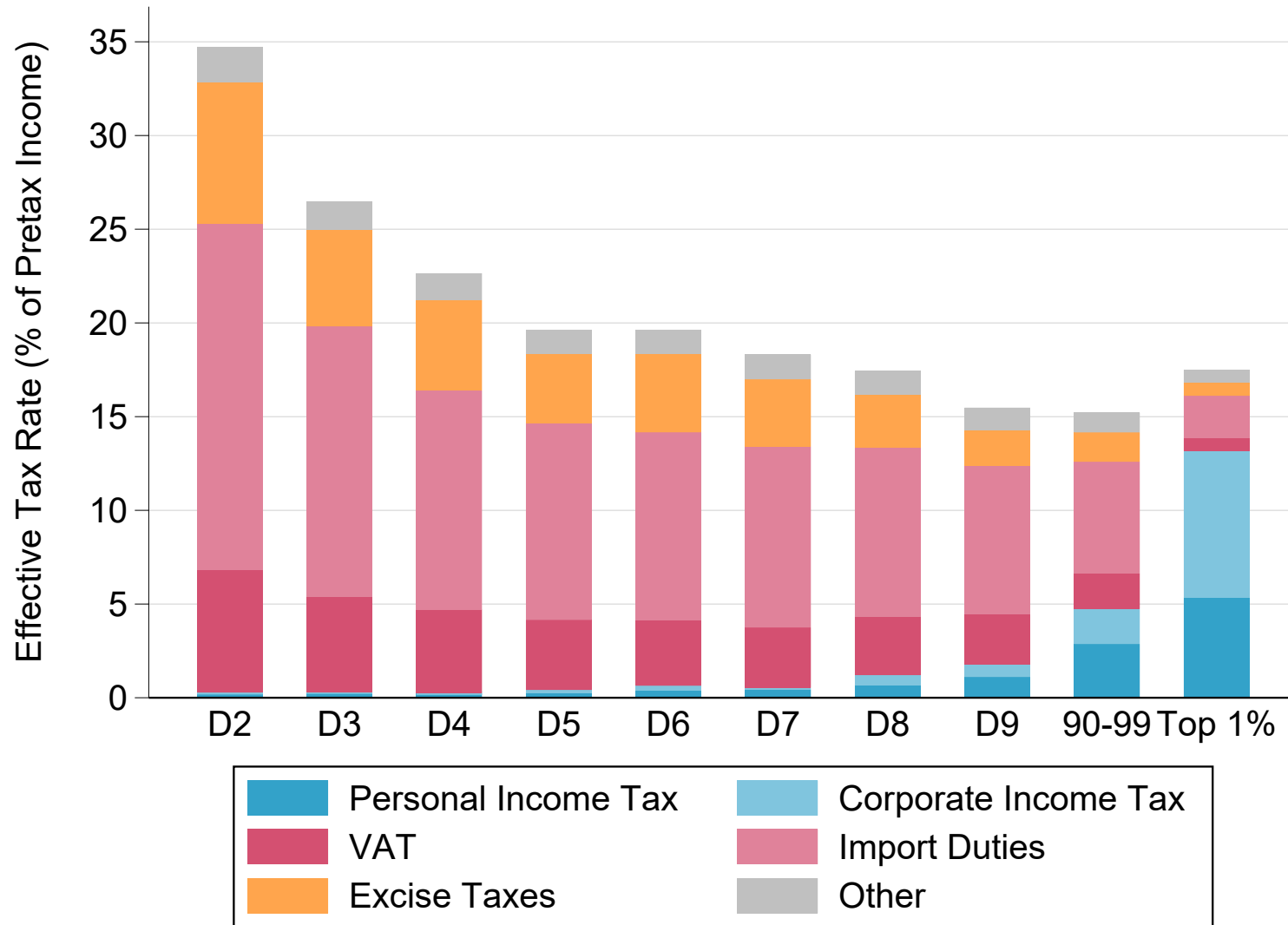
Notes. The figure plots the composition of pretax income by income decile, as well as a further decomposition of income groups within the top 10%. Capital income includes dividends, interest, rental income, and the retained earnings of corporations.

Figure 4 – The Distribution of Remittances



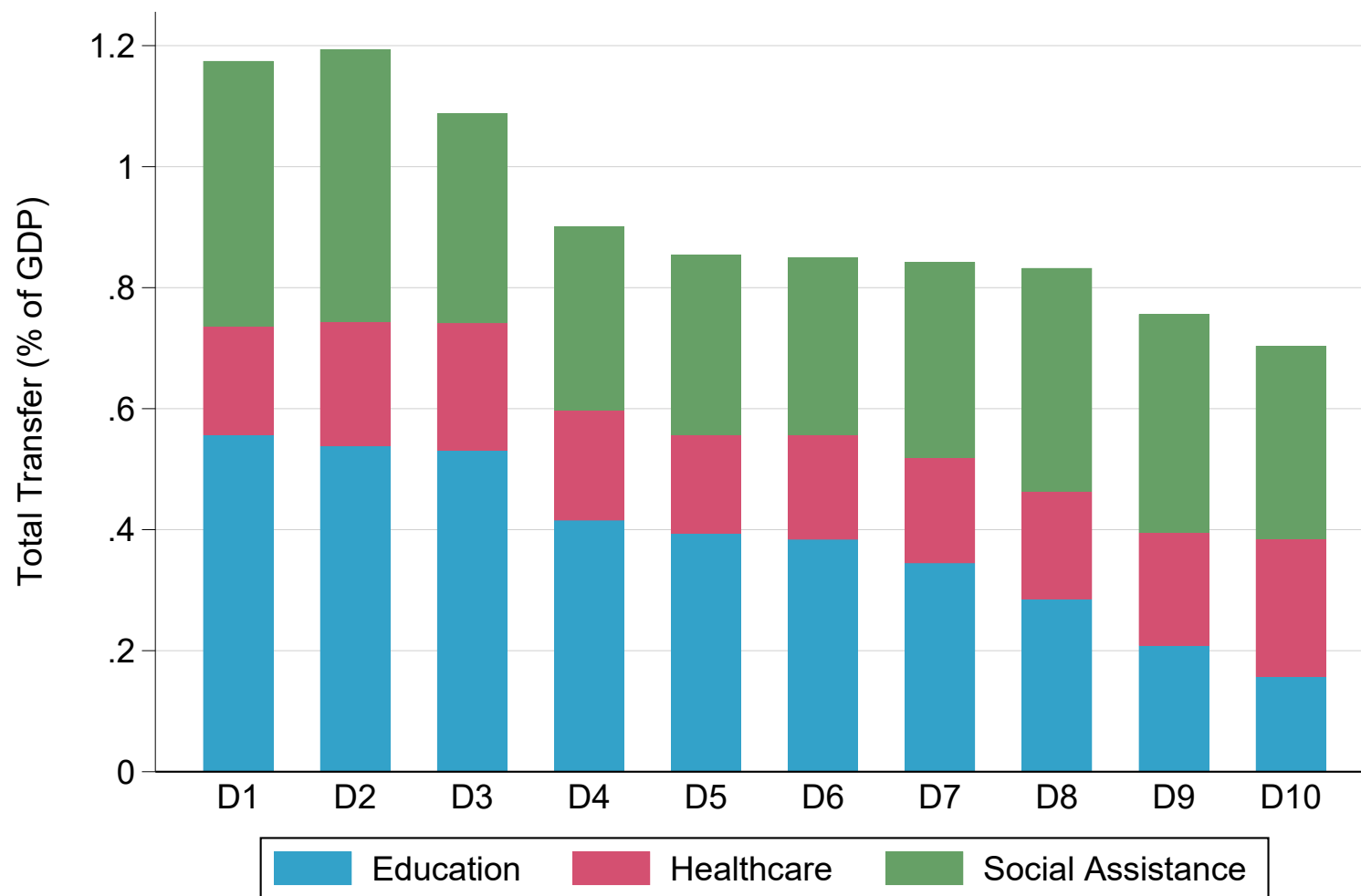
Notes. The figure plots total remittances received by and sent to households, as well as the corresponding net remittance transfer received, by pretax income decile, with a further decomposition of the top 10%. Transfers are expressed as a percent of total GDP.

Figure 5 – The Distribution of Taxes



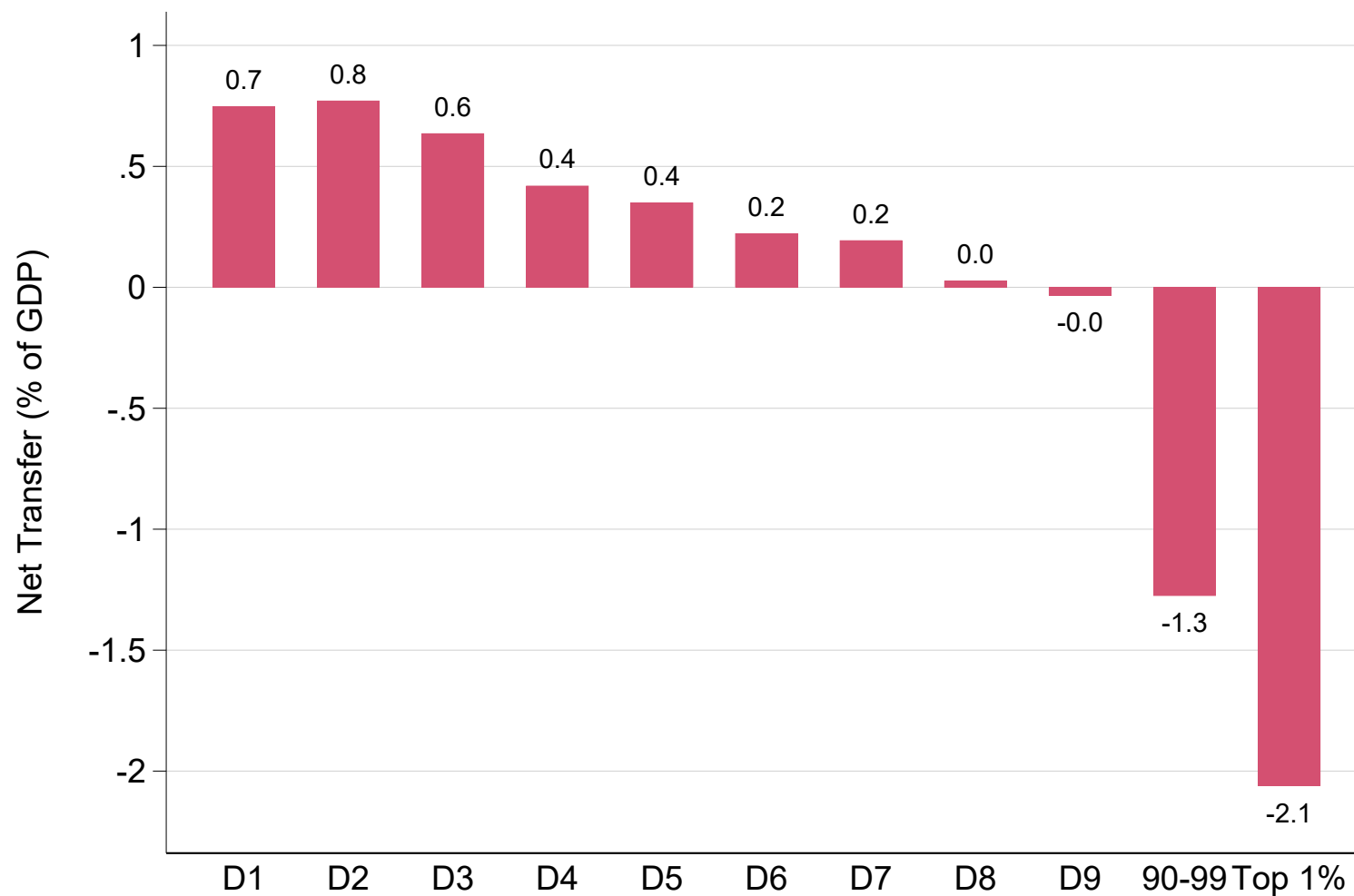
Notes. The figure plots the level and composition of taxes paid by pretax income decile, expressed as a share of pretax income, with a further decomposition of the top 10%.

Figure 6 – The Distribution of Transfers



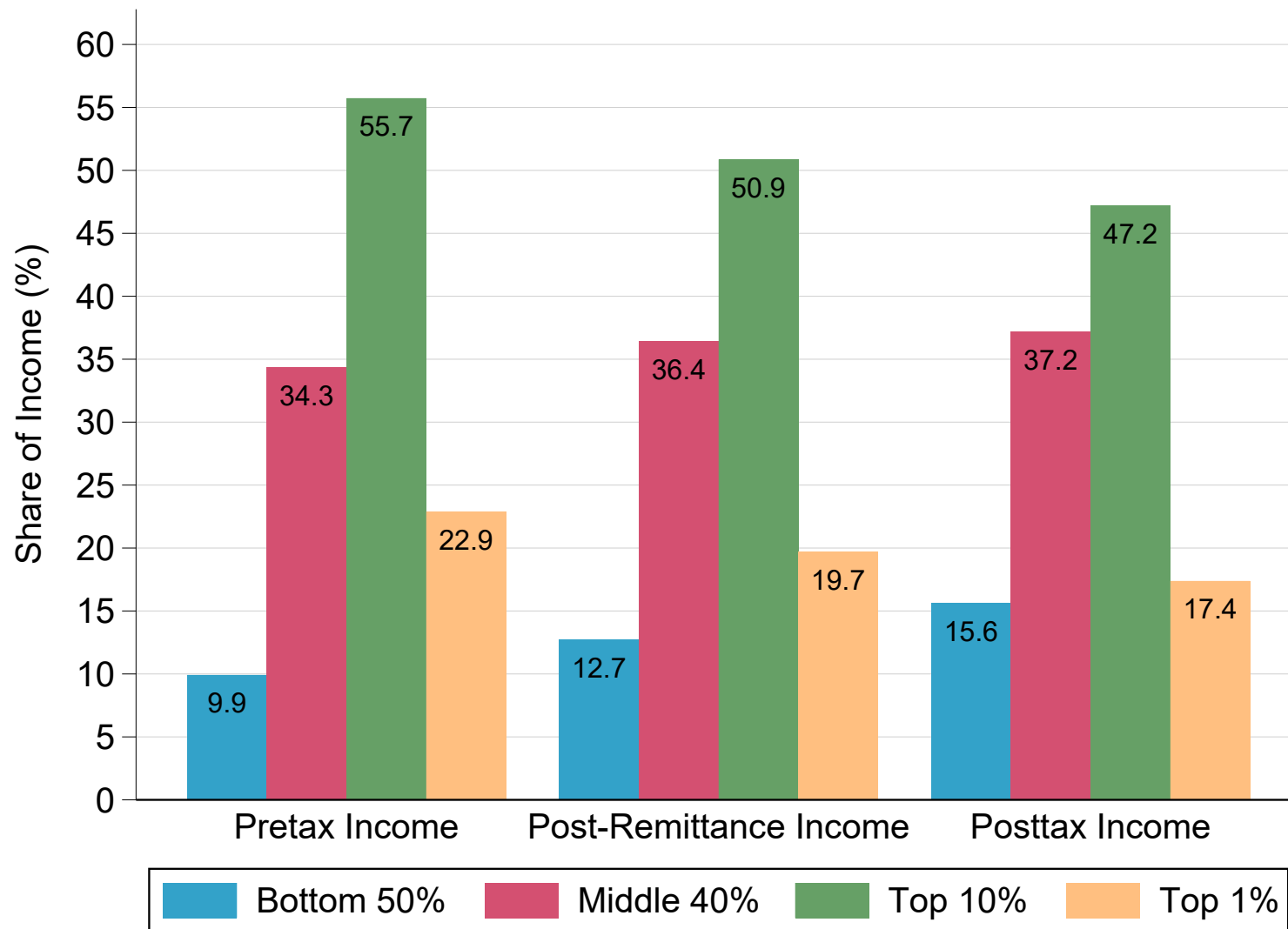
Notes. The figure plots the level and composition of transfers received by pretax income decile, expressed as a share of GDP, with a further decomposition of the top 10%.

Figure 7 – Net Government Redistribution by Post-Remittance Income Group



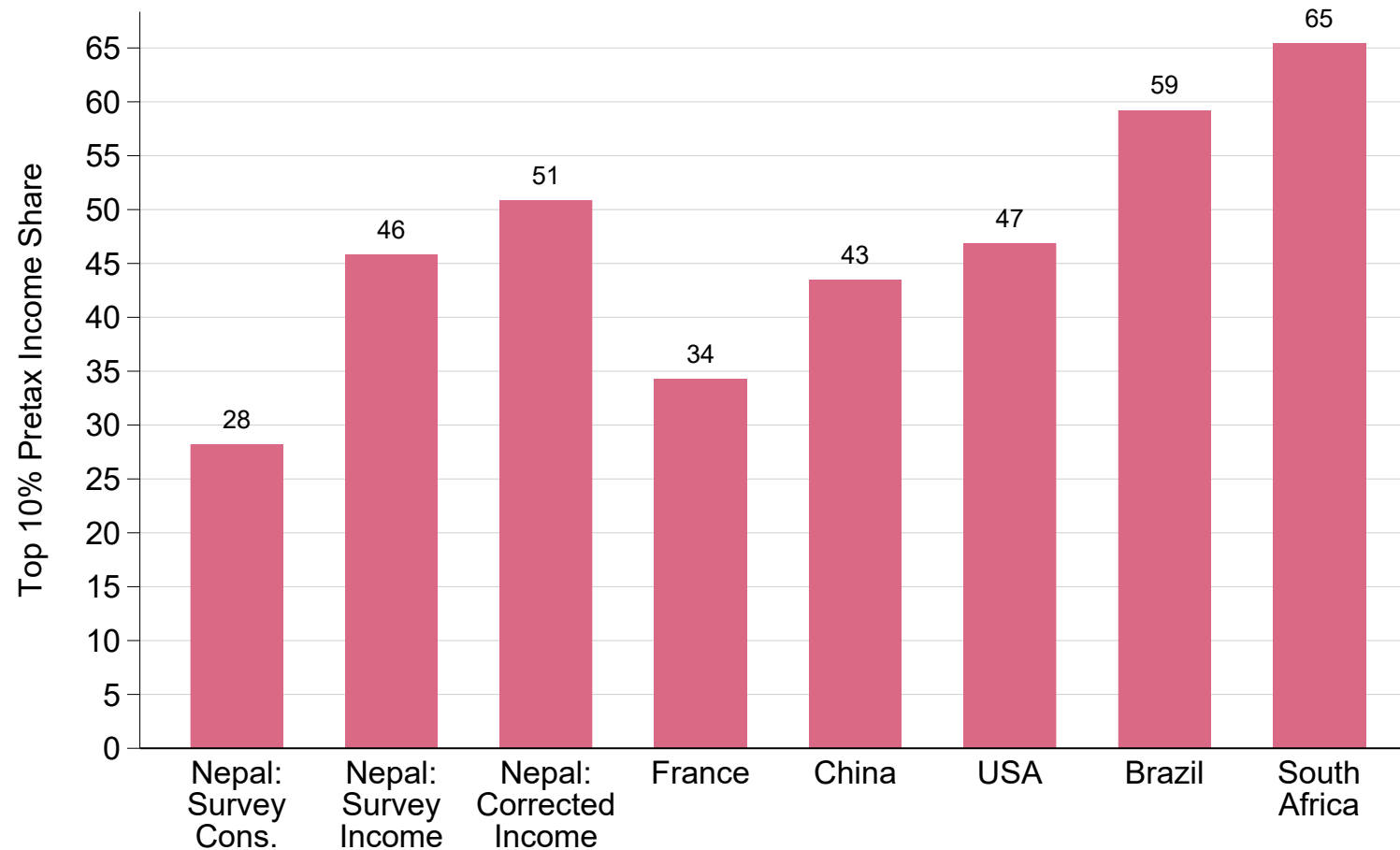
Notes. The figure plots the net transfer received by post-remittance income decile—that is, the difference between transfers received and taxes paid—, expressed as a share of GDP, with a further decomposition of the top 10%.

Figure 8 – Inequality in Nepal: The Roles of Interpersonal and Government Redistribution



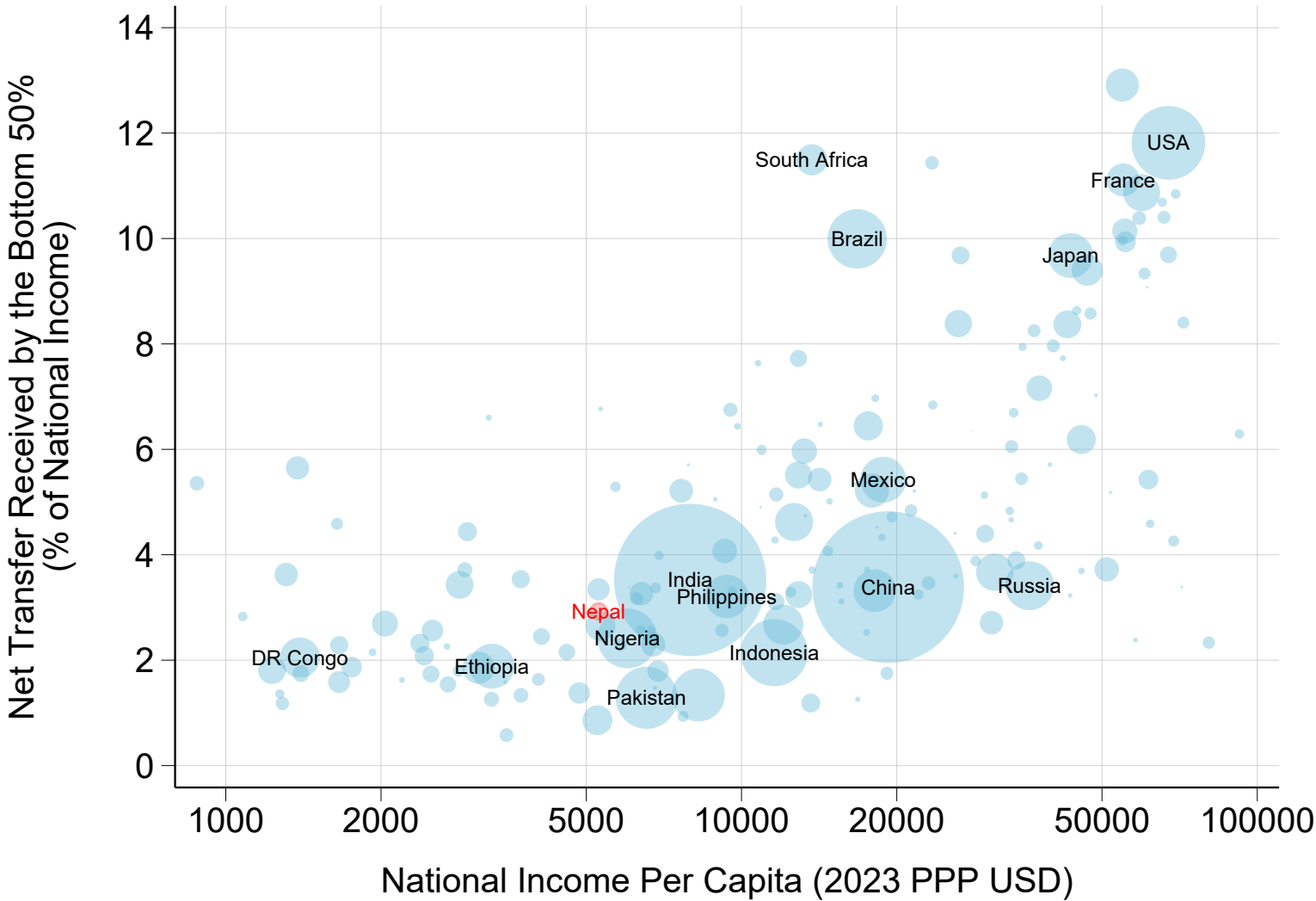
Notes. The figure plots the bottom 50% (p0p50), middle 40% (p50p90), top 10% (p90p100), and top 1% (p99p100) income shares for different income concepts. Post-remittance income equal pretax income plus net remittances. Posttax income equal post-remittance income plus net government transfers.

Figure 9 – Nepal in Comparative Perspective: Top 10% Income Share



Notes. The figure compares the top 10% share in Nepal to that observed in other countries. Nepal survey cons.: share of total consumption made by the top 10%. Nepal survey income: share of pretax income received by the top 10% as recorded in the survey. Nepal corrected income: share of pretax received by the top 10% after correcting for the underrepresentation of top incomes and missing capital income. Other countries: top 10% pretax income shares as reported in the World Inequality Database.

Figure 10 – Nepal in Comparative Perspective: Net Redistribution to the Poorest 50% (% of National Income)



Notes. The figure plots the extent of government redistribution, measured as the net transfer received by the poorest 50% (transfers minus taxes) as a fraction of national income, versus net national income per capita in 2023. Nepal is highlighted in red.

Measuring Inequality and Redistribution in Low-Income Countries: Evidence from Nepal

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June 25, 2026

SUPPLEMENTARY ONLINE APPENDIX

This appendix supplements our paper. It contains supplementary figures and tables.

Table A1 – Survey vs. Taxed Income Aggregates

	Survey Income	Taxed Income	Ratio
Wages	23.0%	24.7%	92.9%
Dividends	0.5%	2.4%	20.8%
Interest	1.2%	4.1%	28.3%
Corporate Retained Earnings		5.9%	

Notes. The table compares survey aggregates to those implied by government budget data. Survey income: aggregate wages, dividends, and interest as recorded in the NLSS. Taxed income: total taxable wages, dividends, interest, and corporate retained earnings implied by government budget data on actual revenue and tax rates on each income flow. Ratio: fraction of taxed income captured by the survey.

Table A2 – The Distribution of Post-Remittance Income in Nepal

	Number of individuals	Income threshold (Rupees)	Average income (Rupees)	Income threshold (PPP USD)	Average income (PPP USD)	Income share
Full population	29,720,000	0	159,000	0	4,700	100%
Bottom 50% (p0p50)	14,860,000	0	43,100	0	1,300	13.6%
Bottom 20% (p0p20)	5,944,000	0	23,000	0	700	2.9%
Next 30% (p20p50)	8,916,000	49,900	56,600	1,500	1,700	10.7%
Middle 40% (p50p90)	11,888,000	78,500	144,000	2,300	4,300	36.4%
Top 10% (p90p100)	2,972,000	296,000	792,000	8,700	23,400	50.0%
Top 1% (p99p100)	297,200	1,420,000	3,040,000	42,000	89,800	19.2%
Top 0.1% (p99.9p100)	29,720	6,230,000	9,520,000	184,000	281,000	6.0%

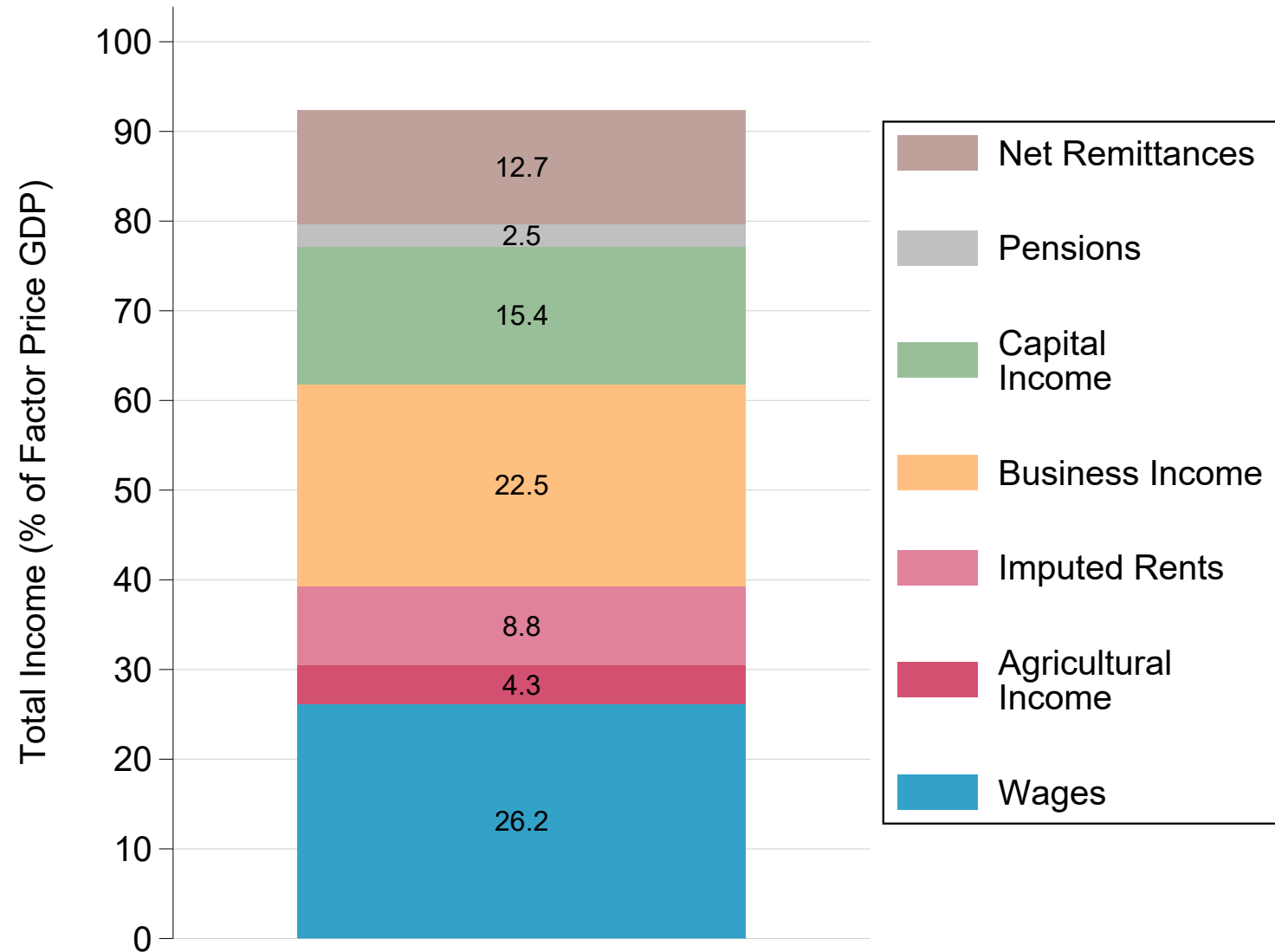
Notes. The table reports statistics on the distribution of post-remittance income in Nepal, including the number of individuals in each income group, income thresholds and average incomes of each group, and their respective income shares. Post-remittance income equals pretax income plus net remittances received. Rupees: thresholds and average incomes expressed in 2023 current rupees. PPP USD: thresholds and averages incomes expressed in 2023 PPP US dollars.

Table A3 – The Distribution of Posttax Income in Nepal

	Number of individuals	Income threshold (Rupees)	Average income (Rupees)	Income threshold (PPP USD)	Average income (PPP USD)	Income share
Full population	29,720,000	0	159,000	0	4,700	100%
Bottom 50% (p0p50)	14,860,000	0	51,500	0	1,500	16.2%
Bottom 20% (p0p20)	5,944,000	0	31,300	0	900	3.9%
Next 30% (p20p50)	8,916,000	59,000	65,000	1,700	1,900	12.3%
Middle 40% (p50p90)	11,888,000	84,700	148,000	2,500	4,400	37.2%
Top 10% (p90p100)	2,972,000	296,000	740,000	8,700	21,900	46.6%
Top 1% (p99p100)	297,200	1,250,000	2,700,000	37,000	79,600	17.0%
Top 0.1% (p99.9p100)	29,720	5,080,000	8,340,000	150,000	246,000	5.3%

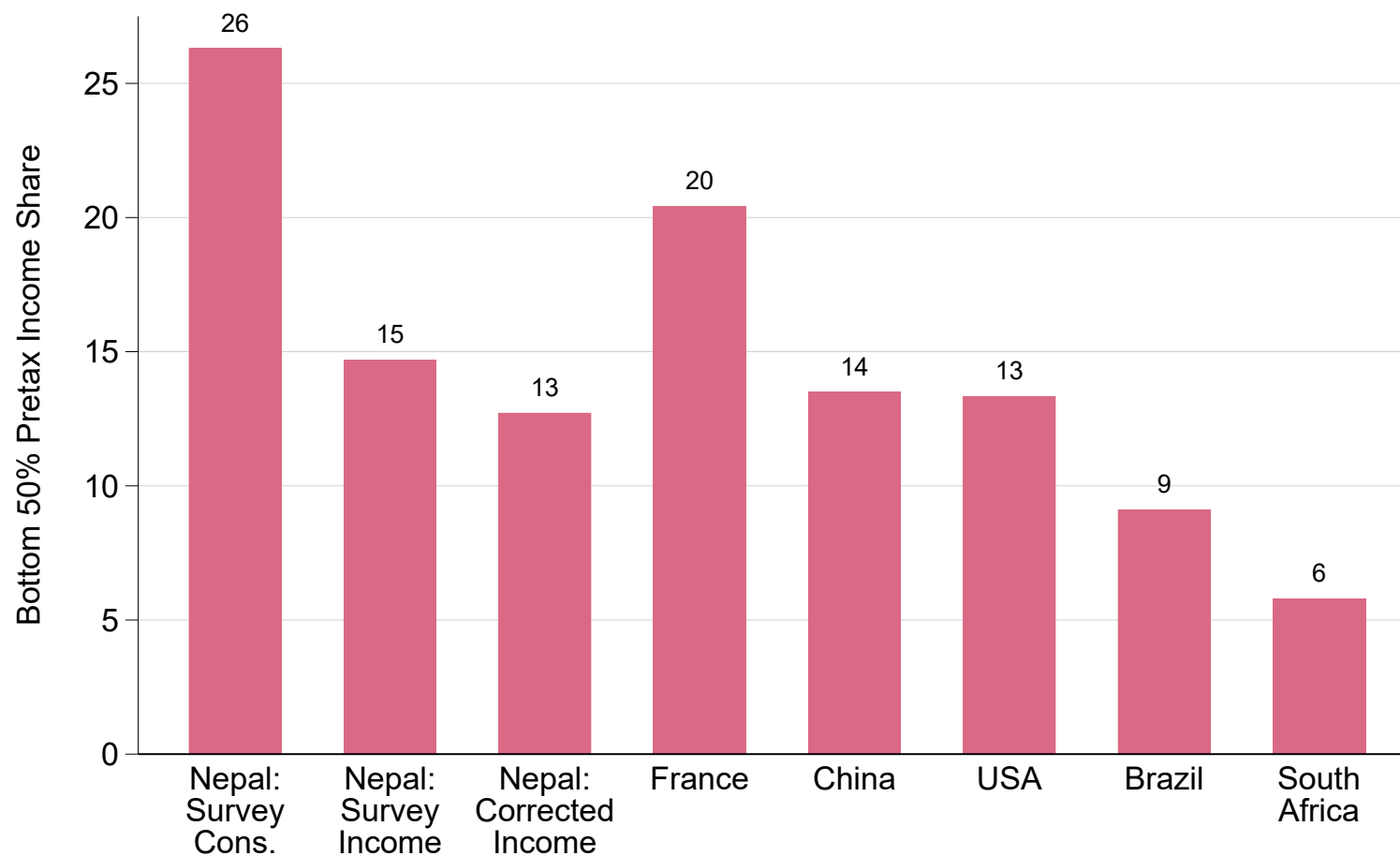
Notes. The table reports statistics on the distribution of posttax income in Nepal, including the number of individuals in each income group, income thresholds and average incomes of each group, and their respective income shares. Posttax income equals post-remittance income plus net government transfers received. Rupees: thresholds and average incomes expressed in 2023 current rupees. PPP USD: thresholds and averages incomes expressed in 2023 PPP US dollars.

Figure A1 – Composition of Aggregate Post-Remittance Income



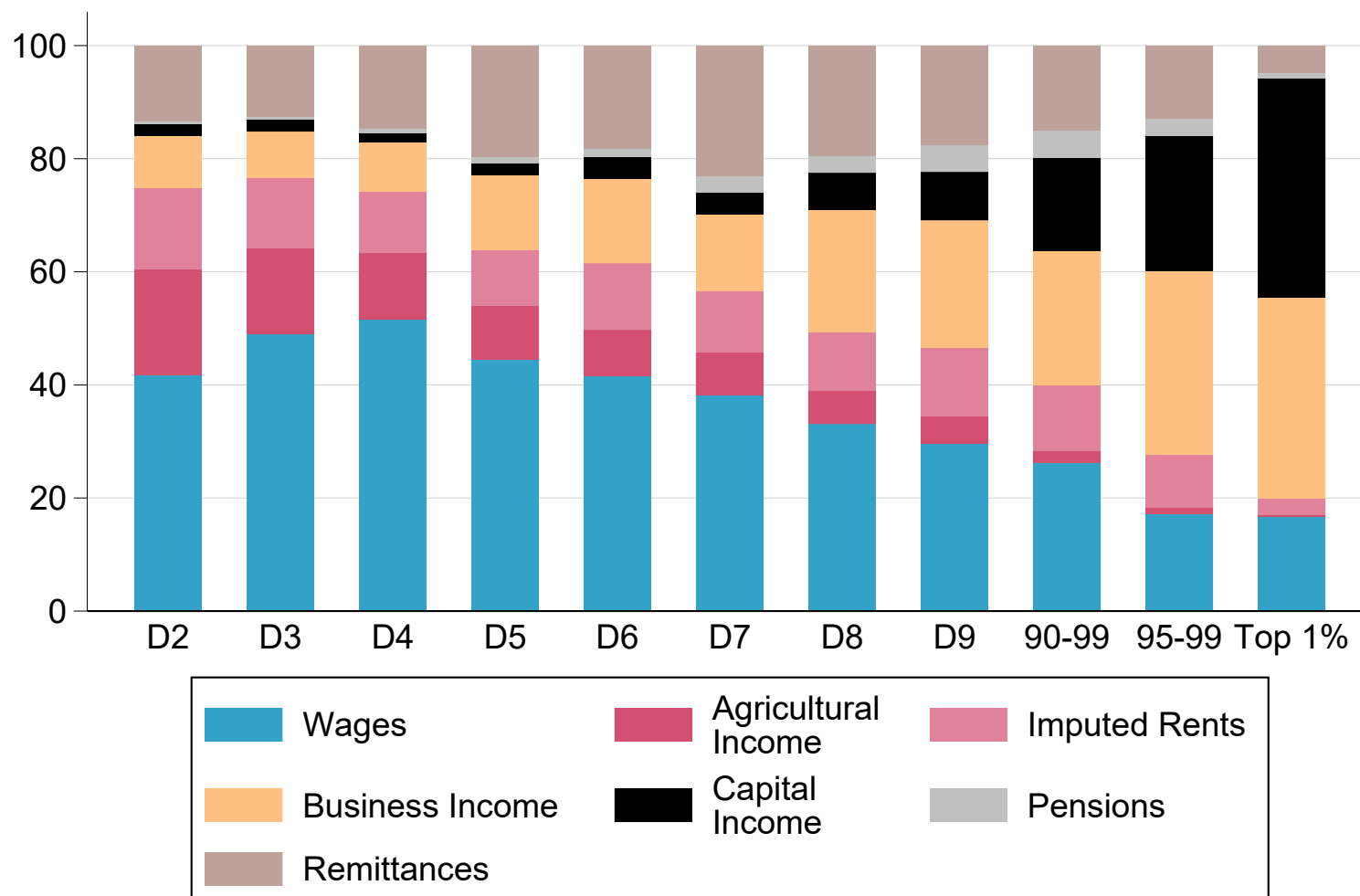
Notes. The figure plots the level and composition of aggregate post-remittance income, as reported in the NLSS survey, expressed as a percent of factor-price GDP.

Figure A2 – Nepal in Comparative Perspective: Bottom 50% Pretax Income Share



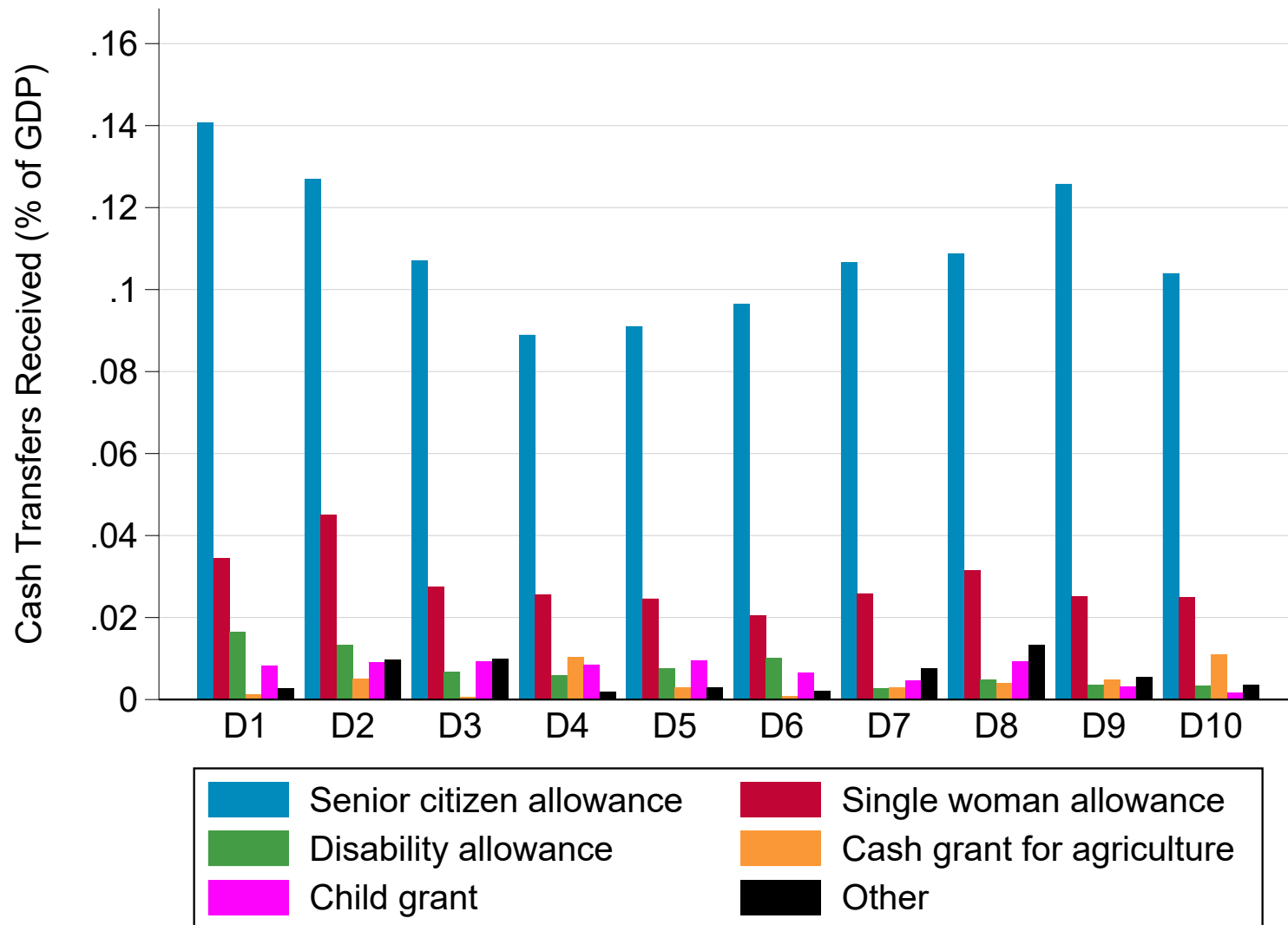
Notes. The figure compares the bottom 50% share in Nepal to that observed in other countries. Nepal survey cons.: share of total consumption made by the bottom 50%. Nepal survey income: share of pretax income received by the bottom 50% as recorded in the survey. Nepal corrected income: share of pretax received by the bottom 50% after correcting for the underrepresentation of top incomes and missing capital income. Other countries: top 10% pretax income shares as reported in the World Inequality Database.

Figure A3 – The Composition of Income by Post-Remittance Income Group



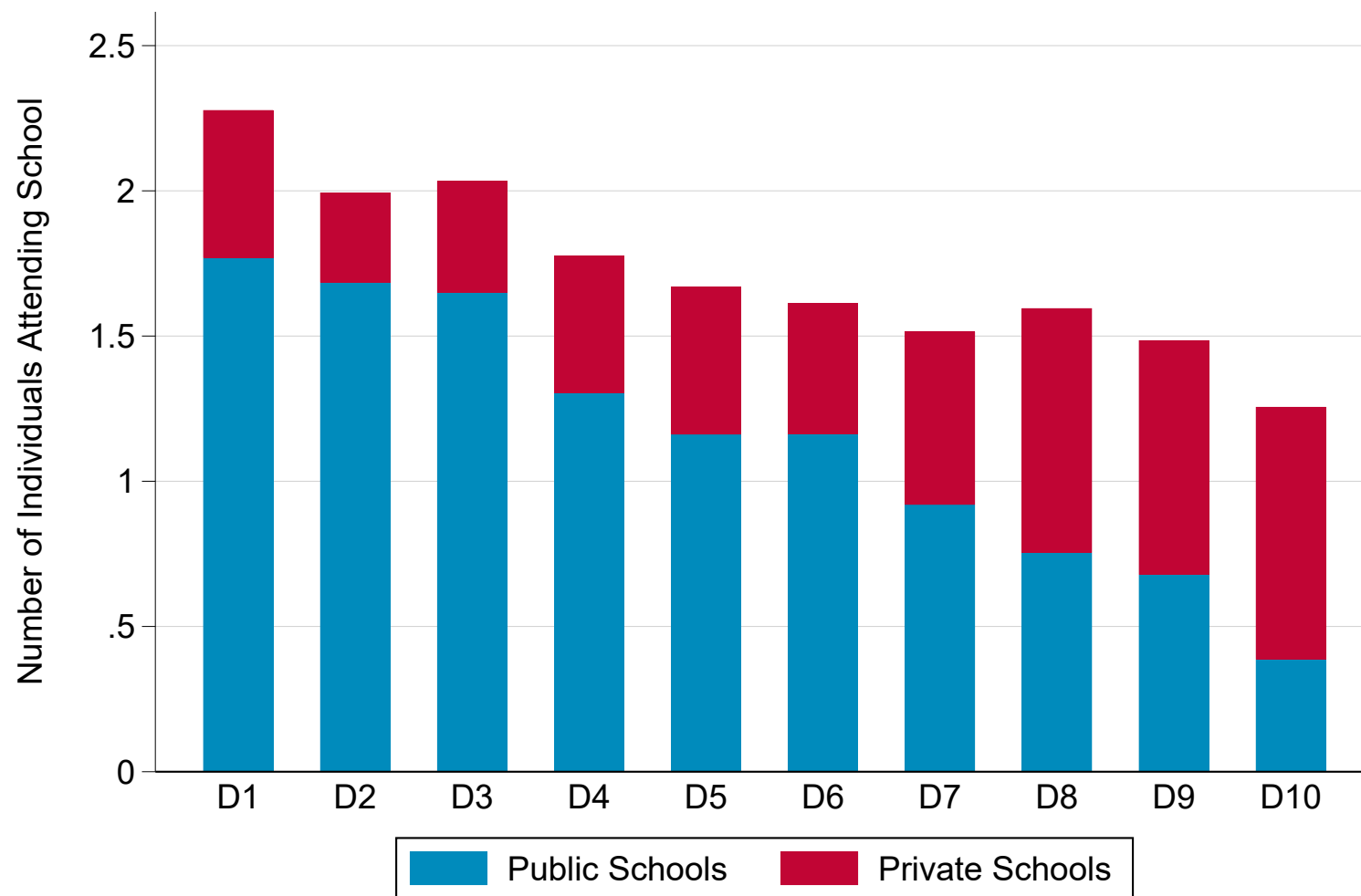
Notes. The figure plots the composition of post-remittance income by post-remittance income decile, as well as a further decomposition of income groups within the top 10%. Post-remittance income equals pretax income plus net remittances (remittances received minus remittances sent). Capital income includes dividends, interest, rental income, and the retained earnings of corporations. Remittances: net remittances.

Figure A4 – The Distribution of Cash Transfers



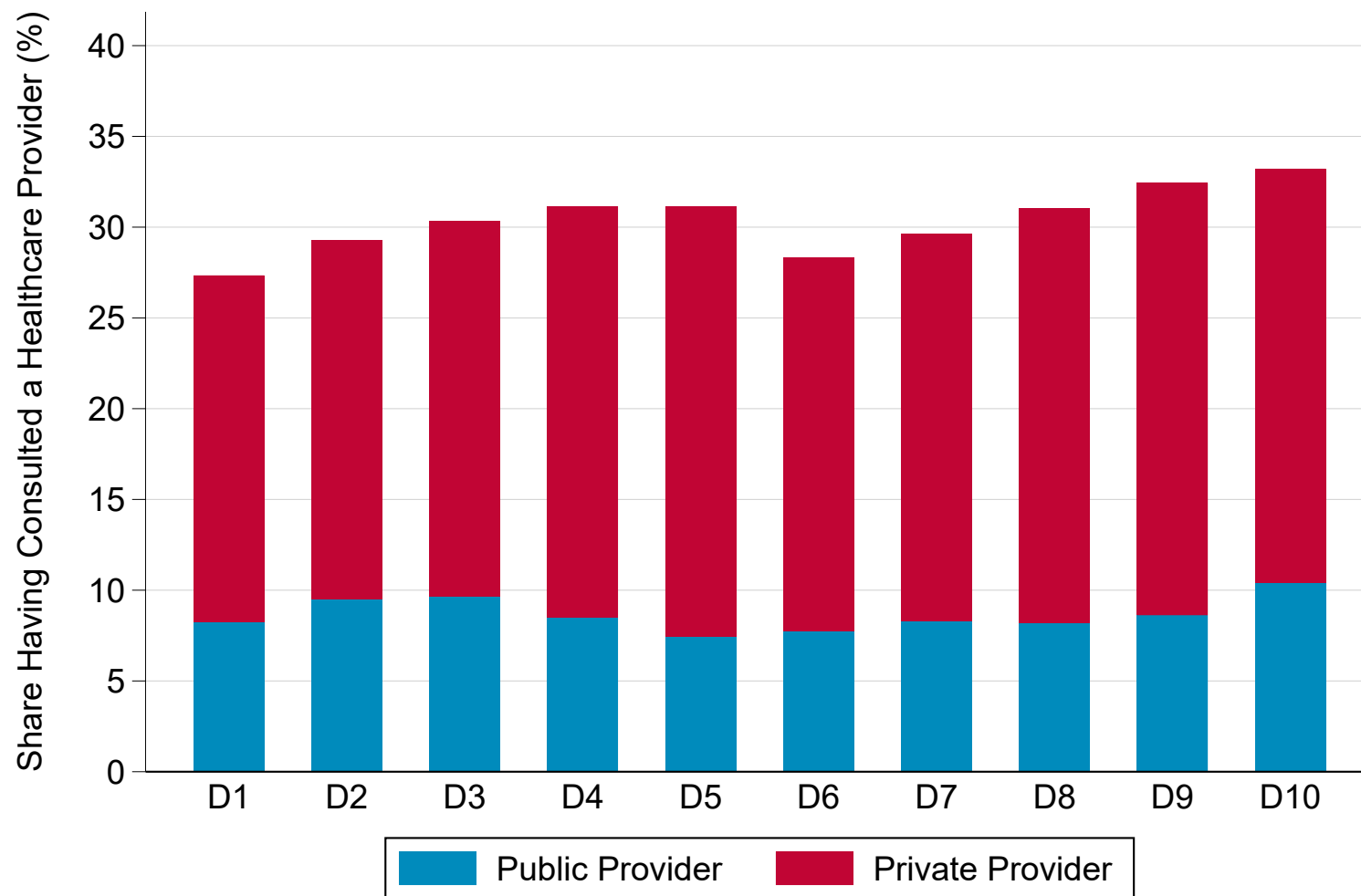
Notes. The figure plots the distribution of government cash transfers by pretax income decile, expressed as a percent of GDP

Figure A5 – Number of Individuals Attending Public and Private Schools by Income Decile



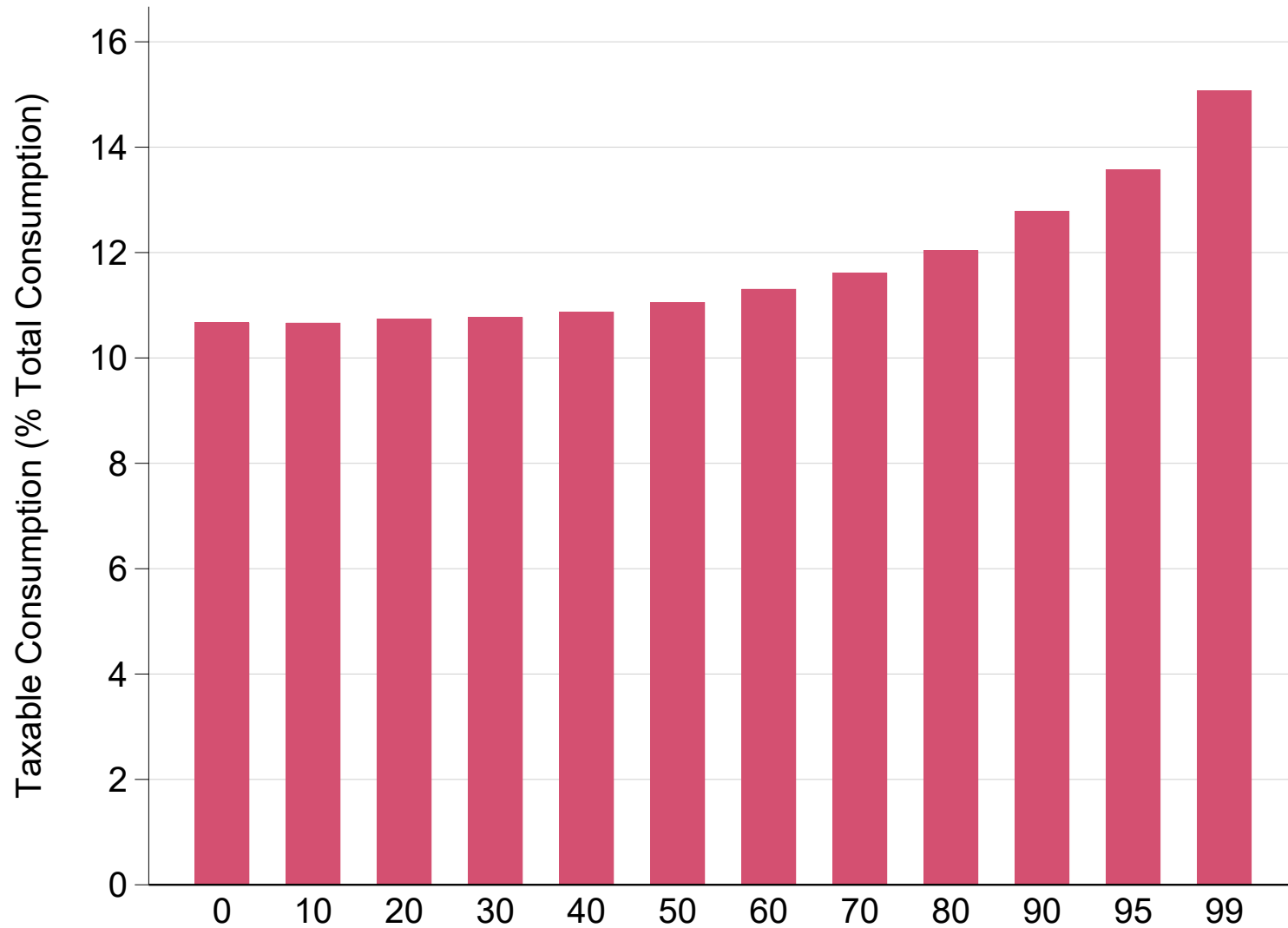
Notes. The figure plots the number of individuals attending school by pretax income decile, with a decomposition of school attendance into public and private schools.

Figure A6 – Share of Individuals Having Recently Consulted a Healthcare Provider by Income Decile



Notes. The figure plots the number of individuals having recently consulted a healthcare provider by pretax income decile, with a decomposition of healthcare utilization into public and private providers.

Figure A7 – Taxable Share of Consumption by Income Decile



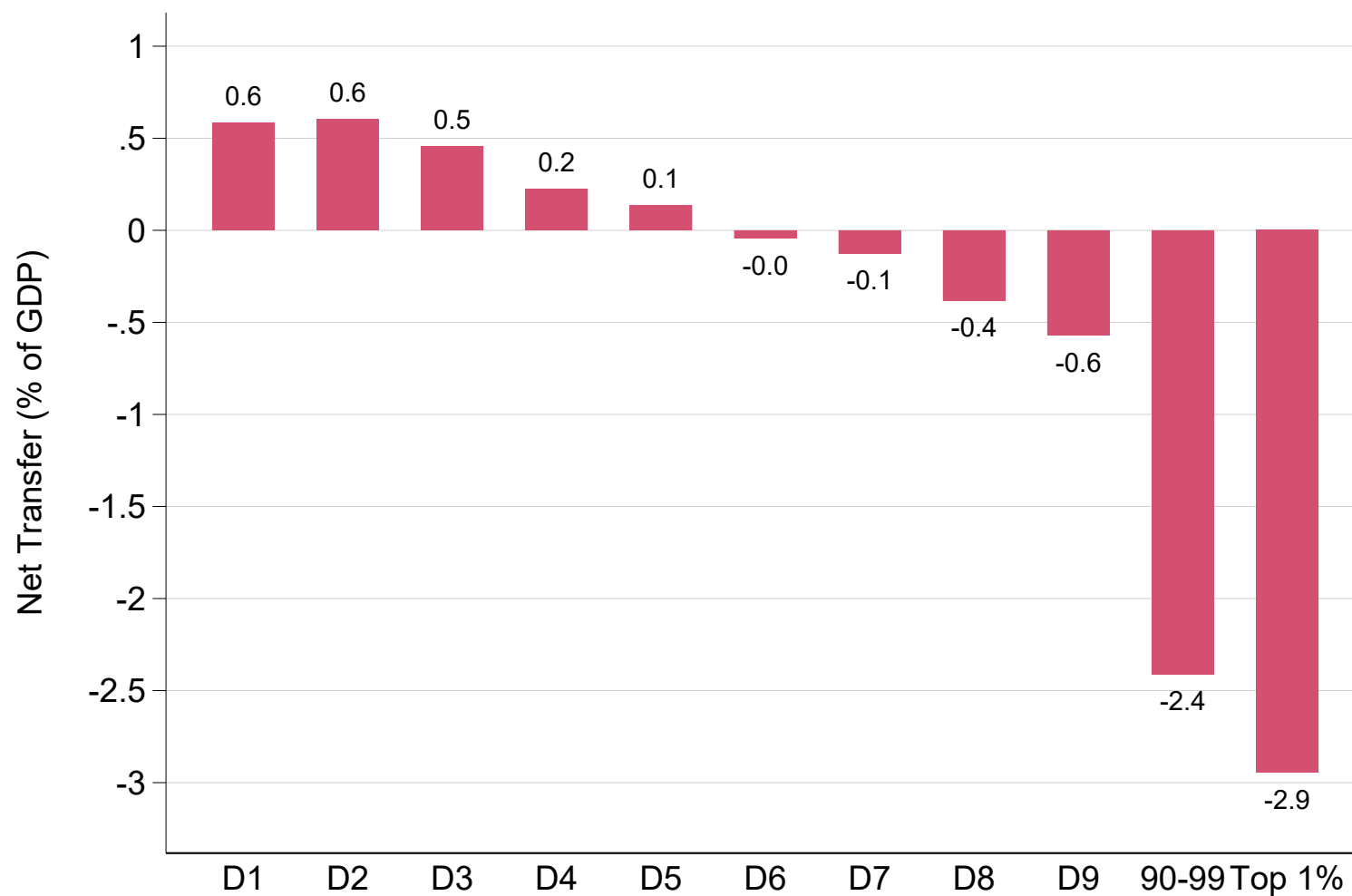
Notes. The figure plots the share of consumption that is taxable—that is, made in formal stores—by pretax income decile. Authors’ estimates using stylized profiles on the formal share of consumption by consumption group from [Bachas, Gadenne, and Jensen \(2022\)](#).

Figure A8 – VAT-Paying Share of Consumption by Income Decile



Notes. The figure plots the VAT-paying share of consumption—that is, the share of consumption that is made on goods and services subject to VAT— by pretax income decile.

Figure A9 – Net Government Redistribution by Post-Remittance Income Group (Imbalanced)



Notes. The figure plots the net transfer received by post-remittance income decile—that is, the difference between transfers received and taxes paid—, expressed as a share of GDP, with a further decomposition of the top 10%. Unlike in Figure 7, all taxes are deducted from individual incomes but only social assistance, education, and healthcare transfers are added in this figure, so that the sum of net transfers received falls below zero.

